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FACT BOOK

on

Direct Marketing

1984 Edition

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Dedicated to

NAT ROSS

for his advice, support and contributions to this 1984 edition of the DMA FACT BOOK and those that have preceded it.

Mr. Ross is vice president of Lincoln Graphic Arts and president of the Direct Marketing Idea Exchange (DMIX). He is the recipient of awards from the Direct Marketing Association, Direct Marketing Day in New York, the Direct Marketing Club of New York, the Direct Marketing Minority Opportunities Group, and the Direct Marketing Educational Foundation. Mr. Ross has been elected to Phi Beta Kappa, has received the Caroline Phelps Stokes Prize and the Chandler Historical Prize, both from Columbia University, and the Faculty Award for Distinguished Service from New York University's School of Continuing Education, 1978.

DMA MEMBERSHIP SYMBOL AND SLOGAN

In October of 1980, the new Membership Symbol was introduced and the following year, the Membership Slogan was unveiled.

The Symbol is meant to convey a sense of identification to all of the direct marketing community within DMA. All members are urged to use the symbol whenever possible. Only through repeated use will the Symbol be recognized and its meaning reinforced. Members are using the Symbol as a postal indicia, in catalogs, on letterheads, pamphlets, in magazines, on order forms and even on business cards.

The Slogan is meant to educate the consumer to the *direct* method of shopping.

Repro sheets of the Symbol, Slogan and Symbol ads are available from DMA Headquarters, 6 E. 43rd Street, New York, NY 10017; Attn: SYMBOL.

MEMBER
DIRECT MARKETING ASSOCIATION

Look for this symbol
when you buy direct

Acknowledgements

DMA wishes to acknowledge with gratitude all the people involved in producing the 1984 FACT BOOK. It was, as always, increasingly challenging over previous years—new sources of information to be uncovered, more sophisticated statistical techniques to be developed, and more leaders in the direct marketing field to be asked to give of their time and expertise.

The Advisory Board provided, as always, their knowledge, continuity and counsel in the preparation of the FACT BOOK. They perused every piece of copy included in this edition. So, to John Mecchella of the Reliable Corp., Nat Ross, Lincoln Graphics, Robin Smith, Publishers Clearing House, John Stevenson, Wunderman, Ricotta & Kline, and to Andrew Svenson, Jr., Andrew Svenson Company, our thanks for your constant support and unlimited assistance.

To the FACT BOOK Promotion Committee—Annette Brodsky, Accredited Mailing Lists, Shan Ellentuck and Jim Springer of Ellentuck & Springer, and George Wiedemann, Grey Direct—on behalf of the Publications Division, thank you. Due to your interests and efforts, DMA's promotional material for the FACT BOOK has made it a well-known commodity to direct marketers worldwide.

Special acknowledgement must be made of the authors of the various sections of this 1984 edition. These leaders in our field found the time and dedication not only to research their material but to write their sections as well. To each of you, well aware of your busy, hectic schedules, DMA extends special thanks.

Reliable statistics in this widely diversified field are, at best, difficult to come by. Although some of these figures continue to be "best estimates," through the dedicated efforts of Glenda Shasho and Dana Englert of the DMA Research Department, we have been able to produce much more definitive material than in prior editions. In addition, we wish to thank the many organizations for their cooperation, confidence and generosity in making reference material available to the Association so that this book could exist.

The FACT BOOK is produced by the Publications Division of DMA. Bonnie DeLay, as director of the division, had overall responsibility for its coordination. She was ably assisted by Alice Ruiz. Mark Oppenheimer and Anna Pedreiro lent their support in promotion efforts. Special mention must be given to Ruth Troiani who so willingly and capably undertook the monumental task of editing and supervising the production of this volume.

The Direct Marketing Association, Inc. is the largest and oldest international trade association representing users, creators and suppliers of direct mail advertising and other direct marketing techniques. DMA's 4,519 members from 2,382 companies represent a cross section of business and are located in all 50 states and 35 other countries. Offices are located at 6 East 43rd Street, New York, NY 10017 and 1730 K Street, NW, Washington, DC 20006.

Foreword

This is the seventh edition of the *Fact Book on Direct Marketing.* In the years since the first one was issued, the *Fact Book* has become a popular reference guide.

Like its predecessors, the 1984 edition presents extensive background on the traditional and time-tested areas of direct marketing. In addition, the new trends and developments in this rapidly-growing field are highlighted.

The basic concepts and techniques of direct marketing are presented by many of the same knowledgeable authors whose names appeared in previous *Fact Books.* New authors have been called upon to write about the many recent changes in direct marketing technology and management.

Direct marketing is now an international field and that fact is evident throughout the 1984 edition.

Although the United States continues to have the largest and most complex direct marketing activities, there are now DMA members in 35 other countries. It is worth noting that many of the new advances in the field (particularly in electronic marketing) are originating outside the U.S.

Thus, while being realistic about the scale of the task, a special effort has been made in the 1984 *Fact Book* to survey the global field and bring together data from as many countries as possible.

The 1984 *Fact Book* also recognizes the increasing importance of "electronic marketing." What is significant and exciting to the direct marketer is the relationship of these new electronic miracles to both in-home shopping and business-to-business communication. This bodes well for today's direct marketer and for those companies and organizations who recognize these new methods as supplementary or complementary to their present marketing methods.

Retailers, business/industrial marketers, and financial services organizations, in particular, are turning to direct marketing to add to the effectiveness of their overall marketing efforts. Despite recent worldwide economic problems, direct marketers are generally finding themselves "better off" than traditional marketers. Their growth rate is faster and they are gaining increasing respect for their ability to meet contemporary consumer needs and to account for results. The use of virtually every type of advertising medium, and the potential of such new ones as teletext and videotex, is also broadening the current impact and adding to the long-term opportunities for direct marketing.

The surge in cable TV and other new electronic media may give rise to the idea that today's catalogs, mail communications and print mail order will become a thing of the past. Don't you believe it.

Despite the explosion, most informed observers on the scene are confident that the traditional techniques will still be with us in the future. Sure, there will be change—we are, already, experiencing a bit of it. Yes, we are moving with the times. And yes, progress is taking advantage of the tested new devices that will make shopping more convenient. But the best of the past will work in the future. Maybe in different forms. Maybe with new vehicles. Maybe in new markets.

Whatever happens in this exciting and changing world, you can believe that direct marketing is going to account for substantial growth.

It is our intention that this *Fact Book* reflect that growth. Use it as a reference guide as we continue to re-evaluate, redefine, delete, add to and improve each new edition.

Robert F. DeLay
President
March 1984

Definition of Direct Marketing

In gathering information about any subject, including direct marketing, it is logical to start by defining the subject. So it has been our practice to include a "definition" of direct marketing at the beginning of each annual edition of the DMA Fact Book. Yet, each year we find that the "accepted definition" has changed somewhat as direct marketing evolves and as our perception and understanding of the subject deepens.

In 1981, an Association Task Force, appointed by Lester B. ("Dusty") Loo, who was then Chairman of the Board, sought to reach agreement on a definition that would be satisfactory and workable for all of the disparate parts of the direct marketing field. It proved to be a question that was not only difficult but that could not be completely resolved by the Task Force.

Perhaps the most significant comment at that time came from a Task Force member who observed: "Direct Marketing is a changing thing and will continue to change. Therefore, the definition will continue to change."

That is a most perceptive thought and one that coincides with the decision in November 1982, recommended by the Board and approved by member vote, to delete a definition from the Association's Constitution & By-Laws. Instead, to provide a frame of reference for researchers, educators, journalists and practitioners, an "official" definition, subject to review and change if necessary, will be carried in the annual Fact Book or other appropriate publication.

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At this time, the generally agreed upon definition is: Direct Marketing is an interactive system of marketing which uses one or more advertising media to effect a measurable response and/or transaction at any location.

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1

A History of Direct Marketing

by Nat Ross
Lincoln Graphic Arts, Inc.

The history of direct marketing (and its antecedents, direct mail and mail order) is a reflection of the socioeconomic development of the United States. This is the constant and underlying factor in the direct marketing story. It is as true today as it was in 1872 when Aaron Montgomery Ward produced his first catalog ushering in the modern era of mail order as we have known it for more than 100 years. This factor also explains why longterm success in direct marketing has been inextricably linked to two essential factors: the ability of management to predict the impact of socioeconomic change on the marketplace and life styles, as well as to implement a sound strategic and marketing program which offers products and services that satisfy the changing needs, wants, and interests of the consumer.

The Roots of Direct Marketing

Researchers have traced the roots of direct marketing to Europe as it emerged from the Middle Ages and feudalism and entered the Renaissance. The first trade catalogs were those issued by printer-publishers of the 15th century soon after Gutenberg's invention of moveable type (c. 1450). Credit for the oldest extant catalog which gives the prices of the books offered goes to Aldus Manutius of Venice. In 1498, under the logo of the dolphin and anchor, he listed 15 texts which he had published. The Aldine Press became famous for its reliable and inexpensive books by Greek and Latin authors. These were printed for the intelligentsia of the day, in small octavo format, in editions of 1,000—more than double the press run customary at that time. Manutius was truly the original precursor of the paperback books of today. The first known catalog in post-Gutenberg Germany appeared in the 16th century.

Seed and nursery catalogs are among the oldest known to us. Professional gardeners were trading in plants as early as the fourteenth century. The earliest mercantile gardening catalog extant is a printed price list issued in 1667 by William Lucas, an English gardener. By 1775, 18-page catalogs were being issued by a number of English gardeners and nurserymen. By this time, the nursery catalog had come to the American colonies as well. A broadside catalog of fruit trees was published in 1771 by William Prince of Flushing, Long Island. It is worth noting that George Washington visited Prince's gardens in 1791, and that Thomas Jefferson was an inveterate mail-order buyer both domestically and in Europe.

Philadelphia in Franklin's Time

Unlike Samuel Johnson in England for whom books were cultural and intellectual, books in Franklin's Philadelphia (which was the center of the book trade in the colonies by the middle of the 18th century) were more practical, perhaps a result of the Quaker influence. The local book merchants were pitching the town merchants more than the clergyman as in Boston or to the planter in Virginia.

In 1727, Franklin set up a "social library" known as the Junto which can be said to be the forerunner of the public library, as well as the book club. Members paid an entrance fee and annual dues for the privilege of using the group's collection of books. The Junto was expanded into the Library Company of Philadelphia (a subscription library) in 1731.

Like today's book clubs, the group relied on a committee, which requested the most learned Mr. Logan "to favor them with a catalogue of suitable books."[1]

Mr. Logan's selection, consisting of some 40 odd titles and 45 pounds sterling, was ordered from London on March 31, 1732. The list included dictionaries, grammars, an atlas, works of history, travel and biography, politics and morals. About one-third were on emphatically practical subjects: anatomy, biology, chemistry, geometry, mathematics, astronomy, agriculture, as well as a handful of ancient classics, and the merest smattering of belles lettres. In 1772, the librarian reported "that for one person of distinction and fortune, there are 20 tradesmen who frequent this library."

During the latter half of the 18th century newspapers were often filled with booksellers' ads (occasionally full pages). In addition, catalogs and broadsides were sent directly to the country trade. In this way, literacy was sold to the Colonist.

Benjamin Franklin, the first important printer in Colonial America, published a catalog in 1744 of "near six hundred volumes in most faculties and sciences." Perhaps the then-novel Quaker idea of selling goods at the same price to everyone induced him to print the following statement on the cover: "Those persons who live remote, by sending their orders and money to said B. Franklin, may depend on the same justice as if present." Franklin's catalog is remarkable, among other reasons, for its early formulation of what was later to become the basic concept of consumer satisfaction guaranteed. The names of Washington, Jefferson and Franklin in this early genesis of direct marketing are an indelible reminder of how deep its roots are in the history and character of the American people.

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[1] *The Americans: The Colonial Experience*, Vol. 1, by Daniel Boorstin.

Another Facet in the Genesis of Direct Marketing

Another potent branch in the growth of the predecessors of direct marketing developed at the end of the 18th and into a good part of the 19th century. It was the role of the farm-to-farm salesman, the proverbial Yankee peddler. A pioneer in this process of direct selling was Eli Terry, a Connecticut custom clock maker. He first made four identical clocks, packed them in saddle bags, and, in 1798, set off on an uncertain and hazardous trip to sell the clocks to doubting farmers.

To enable him to make any sales at all, Terry used what were then unheard of techniques but which have become, in our time, standard in direct marketing. He pioneered the free trial offer and soon, thereafter, installment selling. Later, with the help of his neighbor, Eli Whitney, he learned the secret of mass production by using interchangeable parts. In three years, he had sold 5,000 clocks and had reduced the price from $25 to $5—an amazing achievement for the times.

The ubiquitous Yankee peddlers of the 18th and 19th centuries were stouthearted, sturdy-legged and strong-willed people who trudged the wild and rough countryside of New England and, later, the Middle Atlantic, Midwest and Southern States. They were truly forerunners in the vast development of retail and mail-order distribution, as well as in the growth of the American economy.

Suffice it to state that Adam Gimbel peddled notions in Indiana before the first Gimbel store was opened in Vincennes in 1842. John Jacob Astor sold bakery products door-to-door in New York before going into the fur trade. B.T. Babbitt was a peddler before his Ivory soap became a household word. The father of John D. Rockefeller was a peddler of patent medicine. For 200 years, the direct distribution of products by peddlers had proceeded without the intervention of the general store and other middlemen. By the middle of the 19th century, the Yankee peddler had become a paramount fact of economic life.

Forerunners of the Modern Era of Mail Order

By the 1830s, a few mail-order companies began to operate in the New England states selling sporting equipment, camping, fishing, and marine supplies. Orvis issued its first catalog in 1844, featuring fishing lure supplies and related items. By the end of the Civil War, mail-order activity had expanded to other parts of the country. In addition, to books and seed and nursery products, such items as sewing machines, dry goods, medicines, musical instruments, and other products were being sold by mail order. Each firm sold a single line of products, and very few sold exclusively by mail. Mail order ads were being carried by some magazines. In 1869, C.E. Allen of Augusta, Maine founded "Peoples Literary Companion," selling a selection of specialty items. In the next decade, Augusta became a thriving center of direct mail advertising and mail order.[2]

The Tiffany Catalog

An event that foreshadowed the rise of modern mail order was a "Catalog of Useful and Fancy Articles," that appeared in 1845, produced by Tiffany & Company of Fifth Avenue, New York (then operating as Tiffany, Young & Ellis, on lower Broadway in New York City). This was an unusual and fascinating catalog in a number of respects. Its size was only 2 7/8 inches × 4 3/16 inches. However, its 18 pages included "listing of hundreds of articles imported from "Various Fancy Manufacturers of France, England, Germany and China." It went on to say that the company "always (has) for sale the largest, richest, and best collection of elegant articles of taste and utility to be found on this side of the Atlantic . . .

"They invite particular notice to the fact that their goods are all of their own importation—made to order, or selected from the best sources, by one of their firm, resident in Europe, and can, therefore, be recommended not only as of better quality, finer finish than articles made for general sale, but are also newer and select in style, as well as lower in price."

It might be of interest to list the categories of these imported articles. Inlaid Ebony & Rosewood goods; Portfolios; French Dresden and Indian Porcelain; French and Bohemian glass; Berlin Iron, Bronze and Bronze Antiques; Paper, Envelopes and Fancy Stationery; Umbrellas, Whips, etc; Perfumery and Articles for the Toilet; Perfumes for the Handkerchief; Lubin's and Guerlain's Extracts; Brushes; Combs; Sundry Articles for the Toilet; Fans; Gloves; Indian Goods; Fillogram Articles; Papier Maché goods; Grey Stone Porcelain Ware; Swiss Osier Work; French Fancy Furniture; Chairs; Cutlery; French Confectionery; Games; French Jewelry. Also listed under Sundries are more than 100 different products. Under Chinese goods, seven categories of merchandise are noted of which we shall mention a few items: Lacquered Center Tables; Solid Carved Ebony and Landscaped Marble Chairs; Carved Ivory Chessmen (from $5 to $200 per set); Paintings on Rice Paper in books and sheets; Porcelain Vases; Silver Filigree Card Cases, and Sundries.

The 1845 catalog was the first issued by Tiffany. This was the forerunner of the famous *Blue Books*, their unusual catalogs. The 1845 catalog was, however, a one-time event since Tiffany didn't issue another until 1877. After 1877, they became annual publications. The 1983 fall catalog has the contemporary Tiffany style as well as exceptional products. The most expensive item is a green "tourmaline and sapphire pendant suspended from an 18-inch chain of polished platinum, designed by Paloma Picasso, priced at $185,000. On the other (and more affordable) hand, there are sterling silver charms for $90, enameled boxes for $85, even a calfskin credit-card case for $35, and a silver Tiffany retractable ballpoint pen for $40.

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[2] *Sears, Roebuck, USA* by Gordon L. Weil

The Modern Era of Mail Order Emerges

It was in the post-Civil War decades that catalog mail order emerged and grew into a powerful force. Its main beginnings were in the Middle West at a time when agrarian unrest was rife. Farmers were embittered by the high prices for goods they bought, and the low prices for produce they sold. This spurred Populist dissent and protest, as has frequently occurred in our history. Its organized expression was the National Grange of the Patrons of Husbandry, the farmers' principle organization, with a membership of nearly half a million. The Grange trumpeted its main slogan everywhere, "Eliminate the Middleman."

As a traveling salesman (peddler) in the Midwest, Montgomery Ward was keenly aware of the farmers discontent and had observed that the general store (which has become part of American mythology) was, in reality, a place where the range of goods was limited, the prices high because of numerous intermediaries, and the storekeeper's knowledge was rarely greater than the farmers who bought from him.

Ward returned to Chicago with a prophetic idea. He wrote in his diary: "Having had experience in all classes of merchandise, and traveling salesmen, and a fair judge of human nature, saw a great opening for a house to sell directly to the consumer and save them the profit of the middleman." Ward saw that he could reduce retail prices if he purchased large quantities for cash direct from manufacturers and then sold for cash direct to the farmer. This was the seed of his mail-order idea.[3] And that is precisely what Ward did.

The Growth of Montgomery Ward

He established a direct tie with the National Grange and headlined his one-page catalog sheet listing 163 items. "The Original Wholesale Grange Supply House." In the early years, most of the items were priced at $1, as for instance: Item no. 1 was "12 yards best quality prints $1.00." Other one dollar offerings included red flannel, Kentucky jeans, and other yard goods for home sewing, hoop skirts, bustles, paper collars, cotton hose, hemstitched handkerchiefs, wool socks, boys' winter caps, shawls, oil cloth table covers, an "ostrich plume, and 3 bunches fine French flowers." A lady's ring was $3, and ice pitcher $2, "1 gent's cassimere coat (send size) $3.50," a huntingcase watch $6, a backgammon set $1, a stereoscope and six views $1.

With two partners and a total capital of $1,600, Ward had succeeded in introducing a new method of distribution to meet the needs of the marketplace—an efficient and direct way of doing business by eliminating the retailers, the ubiquitous general store, and other middlemen. The modern era of mail order had begun.

Another factor that encouraged Ward was that Chicago, the railroad center of the nation, was the natural place from which to reach out to the vast rural hinterlands. Chicago soon became the great nationwide enterprise of mail order. It was in a loft 12 feet by 14 feet, over a livery stable that Ward started his business in 1872. Perhaps Ward himself was not fully aware of how powerful his revolutionary idea would become. By the end of the century, there was no doubt of the immense power and growth of the new mail-order idea. For "Greater than the tread of mighty armies is an idea whose time has come." (Victor Hugo.)

Within two years, the original price list became an 8-page booklet and later a 72-page catalog. By eliminating the middleman, Ward promised savings of 40 percent: on fans, parasols, writing paper, needles, stereoscopes, cutlery, trunks, harnesses, and scores of other items. The catalog grew and became more vivid and enticing with its illustrations. By the 1880s, a woodcut illustrated almost every item. By 1884, the Ward catalog consisted of 240 pages with thousands of items.

Ward was a shrewd, honest, and progressive merchant whose business policies continue to have vital lessons for direct marketers today. The Ward catalog dated Spring/Summer 1875 contained one of the earliest, and certainly the strongest, pledge of consumer protection by a company. On the inside front cover, the following appeared: "We guarantee all our goods. If any of them are not satisfactory after due inspection, we will take them back, pay all expenses, and refund the money paid for them."

No stone was left unturned in Ward's effort to build up the friendly confidence needed to induce farmers to buy goods sight unseen from a distant warehouse run by strangers. Ward built his business on the hope for a revolution in the farmers' buying habits. Even after Ward's customers had grown to hundreds of thousands, the firm took pains to reassure them that the company was their friend. That is why early catalogs showed pictures of the founders, of company executives, and even of the buyers for individual departments; those men personally signed catalogue guarantees for the goods.

Ward received hundreds of letters annually from men seeking wives, and even a few from women seeking husbands. A lonely farmer proposed marriage to the "girl wearing hat number ____ on page 153 of your catalog." A blacksmith wanting a wife promised that he was a total abstainer from tobacco, cards, and whiskey. From the state of Washington, a customer wrote, "as you advertise everything for sale that a person wants, I thought I would write you, as I am in need of a wife and see what you could do for me."

Another customer wrote: "I suppose you wondered why we haven't ordered anything from you since the fall. Well, the cow kicked my arm and broke it, and besides my wife was sick, and there was the doctor bill. But now, thank God, that is paid, and we are all well again, and we have a fine new baby boy, and please send plush bonnet number 29d8077 . . ."

This friendly customer received an equally personal reply: regrets about the broken arm, pleasure that the wife was recovered, congratulations on the son with hopes that he would grow up to be a fine man, acknowledgement of the order for the bonnet, plus an inquiry whether the customer had noticed the anti-cow-kicker shown in the catalogue.

At a time of *laissez-faire*, when the general rule of business was *caveat emptor* (let the buyer beware)—or the less elegant, "Never give *a sucker an even break*," Ward's belief in mutual trust by buyer and seller startled businessmen while comforting customers. Ward himself gave much of the credit for his success to his customers. He noted, "The ever-growing trade we enjoy proves that, after all, the people of this country are not such fools as some merchants and manufacturers think they are."

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[3] The Americans: The *Democratic Experience*, Vol. 3, by Daniel Boorstin.

The Beginnings of the Sears, Roebuck Phenomenon

It was the same unprecedented pace of change, which swept the country during the final third of the 19th century, that triggered the entry of Richard Warren Sears into the mail-order business with the sale of watches in 1886. As a young railroad station agent, Sears was at the junction of then most advanced mode of transportation—the railroads—and the most important form of communication—the telegraph.

From an early age, Sears, who had been raised in rural Minnesota, had to help support his family. He learned telegraphy, which was then a qualification to be a station agent, to qualify for the job of managing the railroad and express office of the Minneapolis and St. Louis line at North Redwood, Minnesota, a village of three houses.

In 1886, when a package of watches sent by a Chicago jewelry company was refused, Sears saw his opportunity. The Chicago company offered these undeliverable watches at "half-price, i.e. at $12 each." They were of a stylish type, gold-filled with a hunting case, which retailed for about $25. Instead of paying for the watches himself, Sears offered them by mail to other agents along his line for $14 apiece. He offered to send them C.O.D. subject to examination, and, since the agents were bonded, there was little risk.[4]

Having made about $5,000 in six months, he gave up his station agent job, and, in 1886, set up the R.W. Sears Watch Company in Minneapolis. From an office rented for $10 a month, equipped with a kitchen table, a fifty-cent chair, some record books, and stationery, he now reached out beyond the market of station agents by advertising in the newspapers. In 1887, he moved to Chicago where he enlisted the help of Alvah Curtis Roebuck, a watchmaker, who had also run a job-printing business. Such were the beginnings of the Sears, Roebuck phenomenon.

Sears quickly showed his flair for advertising. His ingenious selling schemes included a "club plan" under which 38 men clubbed together into a pool; each week, one man would win a watch by lot until, at the end of 38 weeks, all the members had their watches. In the early years of the Sears catalog, scrupulously honest guarantees ("satisfaction or your money back") were combined with flamboyant and improbable claims (goods were "the best in the world" and would "last forever"). By the time the firm name of Sears, Roebuck and Company came into use in 1893, the business had moved into a wide range of merchandise described in a catalog of 196 pages. The Sears business grew even during the depression years of 1893-94. In 1907, sales were about $54 million.

In the early days before 1890, Sears was doing considerable advertising in various periodicals, then known as "mail-order" magazines, which circulated in the rural market. Such advertisements aimed at popularizing the Sears name, to increase the demand for catalogs. Newspapers under pressure from the local merchants who were fighting for their lives against the "Mail-Order Trust," often refused to sell space to Sears. Meanwhile the *Ladies Home Journal* also refused to take Sears' copy, because its editor, Cyrus H.K. Curtis, claimed it was extravagant in its claims and undignified in its make-up.

But the catalog was the thing. By 1900, Sears forged ahead of Ward and never relinquished that lead. Sears was a fanatic for the catalog. For years he wrote nearly all the copy himself. The basis for the Sears' business, he insisted, was the widest possible distribution of the catalogs to the most likely customers. The circulation of the general catalog increased phenomenally from some 318,000 in 1897 (the first year for which figures are available) to over one million for the spring catalog in 1904 and to over three million for the fall catalog in 1907. By 1927, Sears sent out 10 million letters, 15 million general catalogs, 23 million semi-annual sales catalogs, and other special catalogs, to a grand total of 75 million.

The Sears catalog, which early countered Ward's headline "Cheapest Cash House in America" with "Cheapest Supply House on Earth," grew in size and systematically improved the quality of the printing. By 1894, it exceeded 500 pages; in 1898, a detailed index was provided. In 1897, the catalog had approximately 700 pages with 6,000 items.

In 1893, Sears set up its own printing plant. Soon four-color printing was used, which required an improved ink to dry rapidly without smearing. The company, then, had to produce new paper which would take color printing and would still be light enough for cheap mailing. As late as 1905, more than half the illustrations were still woodcuts. Art historians have suggested that it was the mail-order catalog that kept alive the art of wood engraving. In those years, the mail-order catalog pioneered other techniques of graphics and illustrations. Since the customer couldn't see the actual product, Ward and Sears obviously had to depend on the catalog to present an accurate and enticing view.

The Growth of the American Economy

Both Ward and Sears were aided immensely by the post-Civil War industrial growth and the phenomenal advance in manufacturing spurred by the use of interchangeable parts. In 1860, the United States was in fourth place among industrial nations. The United States population was over 38 million in 1870. It doubled by the opening of the 20th century. As department stores expanded and grew during the latter part of the 19th century, Emile Zola observed in France that the department store is "democratized luxury."

Thus, it was in the latter part of the 19th century that catalogs became an important and powerful sales tool—a dynamic form of direct marketing. For the widely scattered farm families of that period, a Sears or Ward catalog was often the only book at home except for the family

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[4] Ibid.

Bible. These catalogs were appropriately referred to as the Farmer's Friend. It was, frequently, from them that farmers first learned of new mechanical equipment that would vastly increase their productivity. Their wives discovered sewing machines and other labor-saving devices that would reduce their workloads. Parallel to this, the seed and nursery catalogs of the 19th century helped teach farmers which grains, fruits and vegetables to grow on the land they were settling.

Historically, the nursery catalogs have had (and continue to have) a profound influence in various ways. This is exemplified by the book, *Onward and Upward in the Garden*, by Katherine S. White (with an introduction by E.B. White) based on 14 pieces that appeared in the *New Yorker* Magazine. In the chapter, "A Romp in the Catalogs," Mrs. White observes that "Some nursery catalogs are virtually literary genres as well as horticultural expressions."

A writer in the Wall Street Journal (Jan. 15, 1952) confirms her view and opines: "White contended that these catalogs contributed a literary genre as well defined as the novel or the sonnet, and she argued, further, that every seed house has its own characteristic voice, a style as recognizably its own as that of Hemingway or Joyce.

"White was entirely correct, and her observation still stands. Joseph Harris' catalog is gentlemanly—understated, politely confident about its product and judicious in avoiding over-inflated adjectives. Burpee's is obsessive in its devotion to marigolds and also stodgy enough to be the remedy for insomnia. (Burpee's first catalog appeared in 1867.) Parks offers a variety of seeds, but it's sometimes uncomfortably cute in dreaming up names for plants, as with a watermelon called 'You Sweet Thing'."

Catalogs—Gold Mines for Historians

It is obvious that above and beyond the expanding role of catalogs as an effective direct-marketing tool, they were a vital cultural force. In the schools of rural communities, catalogs were widely used as textbooks, and the children began to dream of products they had never seen before. Later, at the beginning of this century, catalogs became a key factor in the distribution of autos and radios, which helped to free the rural family from its previous isolation.

It should be noted that the Post Office was a major factor in the expanding distribution of direct mail and catalog mail, specifically with the introduction of Rural Free Delivery (RFD) in the 1890s and Parcel Post in 1913. (In 1901 there were 76,945 post offices in the U.S.) A political struggle over parcel post raged for two decades, and its establishment was due, in no small part, to the farmers and the Populist protest during that long period. At that time, the Postmaster General pronounced parcel post a success—"the greatest and most immediate ever scored by any new venture in the country." Within 12 months, packages were being mailed at the rate of 300,000,000 a year. In the first year of parcel post, Sears received five times the number of orders it had the year before, and the increase at Ward's was nearly as dramatic.

RFD gradually citified the rural areas. The mail-order houses gradually introduced farmers to the ways of the city. In 1921, more than a billion newspapers and magazines were delivered over rural routes; by 1929, the figure had reached nearly two billion.

No one has expressed more vividly the socio-cultural impact of catalogs than Daniel Boorstin, the Pulitzer Prize winning-historian and Chief Librarian of Congress.

> "It was not merely facetious to say that many farmers came to live more intimately with the good Big Book of Ward's or Sears, Roebuck than with the Good Book. The farmer kept his Bible in the frigid parlor, but, as Edna Ferber remarked in *Fanny Herself* (1917), her novel of the mail-order business, the mail-order catalogue was kept in the cozy kitchen. That was where the farm family ate, and where they really lived. For many such families, the catalogue probably expressed their most vivid hopes for salvation. It was no accident that pious rural customers without embarrassment called the catalogue "the Farmer's Bible." There was a familiar story of the little boy who was asked by his Sunday School teacher where the Ten Commandments came from, and who unhesitatingly replied that they came from Sears, Roebuck . . .
>
> "Farm children now learned from the new Bible of their consumption community. In rural schoolhouses, children were drilled in reading and spelling from the catalogue. They practiced arithmetic by filling out orders and adding up items. They tried their hand at drawing by copying the catalogue models, and acquired geography by studying the postal-zone maps. In schoolrooms that had no other encyclopedia, a Ward's or Sears' catalogue handily served the purpose; it was illustrated, it told you what something was made of and what it was good for, how long it would last, and even what it cost. Many a mother in a household with few children's books pacified her child with the pictures in the catalogue. When the new book arrived, the pictures in the old catalogue were indelibly fixed in the memory of girls who cut them up for paper dolls . . . The children of rural America thought of the big books from Sears and Ward's as exhaustive catalogues of the material world."[5]

Robert Caro in *The Years of Lyndon Johnson*, Vol. 1, narrates that the freshman Congressman toured the picnics over the July 4th weekend in 1938 in his home district—the sparsely populated and impoverished Hill Country of Texas. His main objective was to persuade the farmers to sign the petition and join REA (the Rural Electrification Administration)—universally considered one of the finest pieces of federal legislation—that had just been passed by Congress. The farmers and their wives were unimpressed. They were fearful of wires, of lightning and storms, and the impact on their children, their cattle and, even, their land. Finally the Congressman had an idea. He opened a Sears, Roebuck catalog and showed them electric washing machines and refrigerators which would lighten the work of the farmers wives. They gradually became persuaded that electricity was beneficial—thanks to Sears, Roebuck.

E.L. Doctorow, in the best-selling novel, *Ragtime* (pp.

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[5] Ibid., p. 129

173-4), describes a scene at the home of J. Pierpont Morgan in New York City, who is entertaining Henry Ford at lunch in the 1920s. The financier, eager to make a deal with the already thriving motor car company, invites Ford to join him on a lavish and extraordinary expedition along the Nile to locate historic artifacts and archeological finds. During this time Ford remained quiet and stared at his comfortable brown lace-up shoes he had bought from L.L. Bean. Ford finally responded to Morgan's invitation, reminding him that he was just an ordinary country boy, saying "you don't have to build steamboats to travel the Nile, just to find out something you can get in the mail-order for two bits."

Catalogs are gold mines for historians. The Sears and Ward catalogs have been aptly called "illustrated encyclopedias of social history." The products they present give a summary of the state of technology, economics, fashions, literature, life-styles, and even the morality of the times. The policies Sears and Ward pursued of presenting a great variety of products, at a fair price with good service and customer satisfaction guaranteed, helped to establish catalogs as a reliable form of direct distribution for millions of Americans. At the time of his death in 1914, Richard Sears' name was part of American folk culture, as was Aaron Montgomery Ward's, who died a year earlier. Rural politicians would tell their constituents, "There are three people you can trust—Jesus Christ, Sears-Roebuck and me." Catalogs had become fixed in the marketplace and the American psyche.

The Beginnings of Direct Mail

Some forms of direct business communications were in existence in ancient times among the Assyrians, Babylonians and Persians, using clay tablets and cuneiform inscriptions. A replica of the first known envelope—a Babylonian clay wrapper from the year 2000 B.C.—was recently exhibited at the Envelope Manufacturers' Conference. The first beginnings in early Colonial America was evidenced by orders to England of books, tea leaves, musket balls, and other products. Stage coach and pony express served as vehicles for direct mail in the old west. As early as the 1860s, a number of firms were using direct mail in the form of informational circulars and handbills to advertise their wares. This advance in direct mail was aided by the introduction of penny postage in 1863 during the Lincoln administration. However, direct mail, as we know it today, was made possible by the typewriter, which was invented in 1867 and began to appear in many offices toward the end of the century.

This spur to direct mail was also an impetus to the opening of the first lettershops, such as the Business Address Co. of N.Y. (1880) and R.L. Polk & Co. (1890). Perhaps the first big users of direct-mail advertising were the National Cash Register Co. and Burroughs Adding Machine Co. John H. Patterson, founder of NCR, pioneered the use of direct mail to get qualified business leads for salespeople. It is reported that, in 1891, NCR mailed almost four million pieces of printed material. Homer J. Buckley, who coined the term "direct mail," founded Buckley-Dement in Chicago in 1905, the first company to offer professional direct-mail creative services. In 1921, Leonard J. Raymond established Dickie-Raymond with the idea that it made good sense for major corporations to use a direct-mail agency, in addition to a general agency. The introduction of RFD in the 1890s and parcel post in 1913 were strong influences on the growth of direct mail.

It was also during this period that the Direct Mail Advertising Association, predecessor of the Direct Mail/Marketing Association and Direct Marketing Association, was established (1917), and third class bulk mail was instituted in 1928—signs that direct mail was coming of age.

The Birth of the Book-of-the-Month Club

The continued unabated growth of industrial and farm production, and the waves of immigration that enlarged the population, were spurs to the new cultural and social winds blowing across the land in the first third of our present century. A national political resurgence was slowly evolving, along with a renaissance in philosophy and education, in literature and art. This was symbolized, in part, by Theodore Roosevelt and Woodrow Wilson, William James and John Dewey, Theodore Dreiser and Sinclair Lewis, William Faulkner, Eugene O'Neil, Frank Lloyd Wright and others. The 1920s marked the appearance of *Time*, the *New Yorker*, and the *Saturday Review of Literature*.

Harry Sherman was an integral part of this literary and artistic resurgence. He was an author, writer and Renaissance man. In 1914, he became a member of a lively discussion group in Pleasantville, New York, whose members included Walter Lippman, the innovative publishers Charles and Albert Boni, Lawrence Langer and Josephine Meyer, both of whom later founded the Theatre Guild. The Pleasantville group buzzed with ideas—literary, artistic, philosophical, political, sociological.

It was out of this social environment that another milestone in the direct-marketing saga was reached. Sherman and Maxwell Sackheim founded the Book-of-the-Month Club in 1926 as an adaptation of magazine subscription and mail-order methods in the marketing of books. This evolved into a new direct-response technique—the negative option.

Both these men were veteran direct marketers. In 1916, they started *Little Leather Library*—selling these fine pocket-sized books by mail at a dime each. They were aware of the paucity of book stores outside the big cities. They knew that over 50,000 post offices were capable of delivering direct mail and books economically and expeditiously. Equally, if not more, important, was the increase in public secondary and higher education. Large sections of second-generation Americans were eager to acquire an understanding of the new American tradition and experience, while maintaining their European cultural links. All of this led to a vast interest and desire for good books. Sherman and Sackheim respected the intelligence and wide reading habits of the public. And in this socioeconomic and cultural environment, the Book-of-the-Month Club was founded.

It flourished over the next half century, expanding into a number of subsidiary book clubs, a record club, and into other, related products such as typewriters. In 1983, BOMC set up a computer software division and began testing by mail the sale of computer software products.

In 1927, the Literary Guild was established by the Doubleday Company. It offered quality books at lower prices than retail and is today the single largest book club in the United States. In 1950, Reader's Digest started its direct-mail operation and is one of the largest and most successful operations in the direct-response promotion of its magazines, books and other products. In 1959, Bell & Howell began its direct-mail operation. Over the next two decades, the company sold, via direct response, over two and one-half million movie outfits plus other products.

Postwar Emergence of Specialty Firms

The years following the defeat of Nazi Germany in 1944 brought still another direct-marketing advance. Goods were scarce and demand high. It was a seller's market. The vacuum it created gave rise to a host of specialty companies such as Miles Kimball (started in the late '30s), Spencer Gifts, Sunset House, Foster and Gallagher, Hanover House and others. These specialty item catalogs often featured new low-priced products and gadgets of both domestic and foreign manufacture—especially Japanese. This period also saw the phenomenal genesis of Fingerhut, and the growth of a variety of cheese and food companies, nurseries, and other mail-order firms.

For the two decades following the war, the United States was the unchallenged economic and political world power. The expanding economy was embracing larger segments of the population, including increasing numbers of the affluent professional and middle classes. The exodus to the suburbs was under way.

A revolution of rising expectation exploded during the '50s and '60s which extended across the entire political spectrum. It was expressed in the consumer and environmental stirrings, the student and youth rebellions, the civil rights, women's liberation, and senior citizen movements. These popular strivings impacted the entire social fabric, including the marketplace.

Time-Life Books

Direct marketing flourished during this period. At the end of the '50s, Time-Life Books got underway to supply the educated and affluent population with books of fine quality, both in content and format—albeit, these books were used occasionally as coffee table "printature." In the next 20 years (1961-1981), Time-Life Books published 546 different book titles, sold over 277 million volumes. They were translated into 27 languages. A footnote to these developments was the early effort by Time-Life Books to use the parent company's house lists as a source for planning new products and new business . . . a practice which has become widespread in direct marketing.

During the recession (1979-82), Time-Life Books showed a decline in sales and profits. A turnaround occurred in late 1982 and continued through 1983. This growth was a result of the installation of a new management team, reduction of staff during the recession, and improved financial controls, as well as finer tuning of the target market.

The Rise of the Franklin Mint

In 1961, Franklin Mint began its direct-mail promotion with precious metals in the form of coins and ingots. In the ensuing years, it expanded into a vast array of collectible products: fine books and records, lithographs and art objects, crystal and porcelain. These products were created and marketed by the company, as it widened its manufacturing base among millions of new buyers of collectibles. During the '70s and into the '80s, collectibles of porcelain became the major items. These included decorative arts, home decoratives, as well as museum reproductions. In the limited edition plate collectibles field, there were an estimated seven million collectors in 1983—a sevenfold increase over 1973. The largest groups of collectors are in coins, stamps and plates.

The Franklin Library was established in 1973 to offer books in the classic tradition and of literary significance—leather-bound and produced to high standards of quality. The first test was sent to the Franklin Mint's active collectors and to the American Express list, offering 100 classics at $28 each, to be delivered serially during the next eight years. Thirty-two thousand of the almost three million prospects responded affirmatively, generating $90 million in front-end commitments for the books.

In 1981, Franklin Mint was acquired by Warner Communications, the entertainment giant. Warner's chairman had been impressed by Franklin's performance in "broadening the base of its business." He had, also, been attracted to the company because "direct-response marketing will be an increasingly important method of selling a wide variety of products." Another benefit to Warner was the use of Franklin's large mailing list of well-to-do people in marketing such Warner products as records, books, video cassettes and videodiscs. Added to this are the possibilities for direct marketing in pioneering and expanding cable television and the interactive QUBE operations of Warner-Amex Cable Communications.

In the fall of 1983, Franklin Mint, under the aegis of its Catalog Ventures Group, published its first catalog—Warner Scientific—a science-art-nature catalog. This fine 32-page book features games, projects, models, kits and toys geared to every age and ability level. It invites the prospect to explore the reaches of science and nature. Among the items displayed are a programmable home robot ($2,500), personal computers, computerized chess sets, electronic science sets, construction and building kits, 90 fun projects at $38 each to build your knowledge of physics and other sciences, as well as other electronic and gift items. The catalog includes a monthly continuity program called "The Wonders of Science Discovery Program" at $19.50 per month. The continuity program will also be promoted separately by direct response.

All products are selected with the guidance of the Franklin Institute Science Museum. The Catalog Ventures Group is preparing a woman's apparel catalog for late 1983 and is looking into catalogs in other areas. It hopes to identify new product areas through its catalogs and to focus on solo direct mail, continuity programs, and a variety of direct-response programs in the years ahead.

Separate from the Catalog Ventures Group, Franklin Mint continues to mail its Christmas gift catalog which, in 1983, featured items created by its own artists and craftsmen. This included gift products in metallic, porcelain, heirloom ornaments, jewelry, literary classics and fine leather items.

With a database of two-and-one-half million names, Franklin Mint put out 250 new direct-mail promotions in 1983. Space advertising continues to be its main advertising to prospects. The estimated total sales for 1983 are $450 million, worldwide.

Columbia Record Club

The Book-of-the-Month Club was the original impetus to the start and development of hundreds of companies in the continuity club field. Many prospered and some fell by the wayside. One of the largest and most successful is the Columbia Record Club which began in 1955 in response to the growing music market—particularly among the mass teen, student, and youth population. On August 21, 1955, it published its first ad in the *New York Times*, offering one record free if members would buy four other records during the year. Within six months of testing various offers, the right formula evolved for this period, namely three free for joining the club with obligation to buy four during the year.

As with virtually all beginnings in the continuity club field, retailers were hostile to the Columbia Record Club in the early years. But, as it became evident that the Club was stimulating store sales, the opposition eroded. The Columbia Club grew rapidly and prospered until 1979, when its sales and profits lagged for the next two years. The Columbia Record and Tape Club, as it is now called, prospered for almost a quarter of a century. A continuing problem, that requires effort, ingenuity, and experimentation to overcome, is the considerable drop-out rate and the constant need to bring in new members. One of the most successful devices used by the Club involved the blank box, tinted gold, on the order card in all print advertising. TV support commercials told viewers they could get a free extra record by simply writing the record number from the print ad in this special "gold box."

The factors that have made the Columbia Club successful through the years include a fine product, an effective and exciting offer with acceptable terms, a reasonable membership plan, and convenience. These factors are not static but, rather, are in a state of dynamic change, which requires creative handling for the continuing success of Columbia's business.

In 1983, Columbia House launched the Columbia Video Game Club—knowing that it had a proven track record as a direct marketer to a youthful audience, and that it had game product availability. Research also indicated that the Record Club's penetration of households of video game players was very high. Its four million Club member list was viewed as a tremendous asset. After considerable focus group and other research, as well as a wide-ranging media test campaign, the new Club was on its way with its specific negative option offer. The Club's catalog was made exciting and included helpful hints and a scoreboard. Each catalog contained a free poster of the Hit Game Selection. Also, every production includes a newsletter with short articles, both popular and technical.

Wall Street Journal and Marketing Strategy

A not unusual example of adapting one's marketing strategy successfully to changing conditions is that of *The Wall Street Journal*. The newspaper had been around for a long time with a modest circulation to a small audience of serious private investments and the professional financial community. With the ending of World War II, *The Wall Street Journal* was provided with a tremendous impetus for growth by the emergence of the United States as the strongest economic power on earth.

The Journal addressed itself to the ongoing problems of business growth and profitability and found a large audience eager to move successfully into the expanding economic mainstream through larger features in business and finance. *The Journal* embarked on a large and selective direct-mail operation which gradually evolved with a carefully orchestrated multi-media direct-response campaign, with the result that circulation in 1983 was well over two million.

The "Great Outdoors" Catalogs

Early Success of the L.L. Bean Saga

A review of the direct marketing industry would be incomplete without some comment on the legendary L.L. Bean. In 1912, this small enterpreneur—armed with $400 and with courage, integrity, and foresight—founded one of the soundest and most successful mail-order companies on the strength of a unique rubber-soled leather hunting boot he had invented. In the early years, sales improved slowly, but surely, as the company began offering new products in outdoor clothing and equipment.

A careful examination of an L.L. Bean catalog in 1917 (black and white, 12 pages) expressed its fundamental strategies and its marketing policy which haven't deviated to any degree through the years. The catalog features the Maine Hunting Shoe and other outdoor apparel along with clear and explanatory illustrations. Copy is specific, informative, factual, and low-key. Perhaps the most important aspect of the catalog is the guarantee which appears in a box on the front page. It reads: "Maine Hunting Shoe—guarantee. We guarantee this pair of shoes to give perfect satisfaction in every way. If the rubber breaks or the tops grow hard, return them together with this guarantee tag and we will replace them free of charge. Signed, L.L. Bean, Freeport, ME."

The back of the catalog repeats the guarantee still placed in a box next to a return card which reads: "I am returning _______ by express collect. Please return my money as per agreement."

Copy on the top of the back page reads: "Everything I sell is delivered free and guaranteed to give perfect satisfaction. I do not consider a sale complete until the goods are worn out and the customer still satisfied. As to my standing and reliability, I will refer you to any person in

Freeport, ME." Below that three selectmen, a banker, the Postmaster, and the American Express agent all state "Any agreements or guarantees that he may make will be made good according to my best judgement and belief."

Next to the return card, Mr. Bean writes, "To impress upon you the broadness of my guarantee, I send you this return card, showing how easy it is to return goods and receive your money back. I deliver goods to your house to be examined at your leisure. If for any reason you do not want them, send them back. No explanation or excuse required." Back on page one, we read "with every pair, I give a small can of dressing and a repair outfit that will mend a cut or snag in five minutes. See guarantee tag that is attached to every pair, also a sample of rubber and leather used in this shoe. Delivered free on approval anywhere in the United States. Prices on back of this sheet." A full page order form appears on page 12.

This policy has been consistent through the years. Among other things it has gained L.L. Bean widespread free publicity in the print and electronic media. In 1982, 12.5 percent of American households knew about L.L. Bean. A columnist in *The Wall Street Journal* states, "Freeport, as millions of campers, hunters, and fishermen know, is the home of L.L. Bean. Bean is to camping what Kellogg is to cereal." Delta Air Lines in-flight Magazine, Sky (9/8/82), calls L.L. Bean "that 70-year-old patriarch of the woods," and opines, "Breathes there an outdoorsman who has not lusted over an L.L. Bean catalog?" described by one writer as . . . "steeped in wet feet, Yankee creativity, and a deep sense of personal integrity."

By 1967, sales totaled \$4.6 million. In the decade between 1967 and 1977, sales increased 12-fold to almost \$60 million. In 1980, sales reached \$121 million, as more new products and broadened product lines were introduced in men's and women's apparel, sporting goods, and equipment in outdoor recreational activities. L.L. Bean recorded a growth rate of over 25 percent between 1967 and 1975. Between 1975 and 1980, the company's average return on equity was over 30 percent. The house file consisted of 2.2 million active customers. Women comprised 52 percent of the customers in 1980 compared to 25 percent in 1975. More than 26 million catalogs were mailed in 1980. In 1983 an estimated 55 million were mailed. The best customers received nine catalogs in 1980 compared to five in 1975. New customers were acquired by direct mail and print advertising. In a single day in 1981 43,000 packages were shipped. And in one week during November of 1981, 100,000 phone orders were received.

In 1982, total sales were \$224 million, of which about \$30 million was generated by its retail store in Freeport, ME. About 2.5 million people from all over the country and from around the world come to shop at the Freeport store annually. An interesting footnote is the fact that four of five families in the fashionable Dakota Apartments in New York City received the Bean catalog.

Throughout 72 years, the basic L.L. Bean policy has remained unchanged. As the founder stated it, "Sell good merchandise at reasonable prices and treat your customers like human beings, and they'll always come back for more." Now under the leadership of L.L.'s grandson, Leon Gorman, to this day, trust between company and customer remains the bedrock of policy. Direct-response ads are as simple and clear as in the early days. Catalog copy describes the merchandise consistently and fairly. Promotion continues to be low-key. Emphasis is on order fulfillment which is efficient and expeditious, and on customer service and satisfaction which remain paramount. The major operational change in these seven decades has been the introduction of a data processing system which has improved fulfillment and customer service as sales exploded.

The management of L.L. Bean has been guided by a fundamental policy of long-term growth and profitability rather than short-term profit aims. The company was quick to recognize that profound social changes were taking place during the 1960s, which would transform the outdoor sports and recreation field from a "class" to a "mass" market. As the recreation boom was on its way, L.L. Bean innovated with additional men's and women's quality products, displayed in 4-color catalogs, to satisfy the emerging interests of the mass of new consumers.

Eddie Bauer

A similar policy in the outdoor sporting specialty business accounts for the success and growth of the Eddie Bauer company. Perhaps a failure to understand this crucial change from a class to mass market explains the demise of other mail-order firms in the outdoor field.

An article in the *Wall Street Journal* in September 1983 opens with this significant statement:

"The Ford Motor Company has just unveiled its newest four-wheel-drive truck, the Eddie Bauer Bronco II. It is one of the factors in the increased customer awareness that Eddie Bauer has received in recent days, and is an indication of the expansion that the president of Eddie Bauer, James J. Casey, seeks for the sporting goods retailer.

"Ford wanted to tie in a truck that gets people to places where they can use the gear and wear the clothing sold by an outdoor outfitter such as Eddie Bauer" a subsidiary of General Mills.

Taking full advantage of the increased awareness of this company's products, Mr. Casey is reorganizing the management and structure of Eddie Bauer, with three new divisions—stores, manufacturing, and mail order. Sales for 1983 are well over \$100 million with mail order roughly accounting for over 40 percent and the balance from its 31 retail stores. The plan is to expand the mail order business while establishing stores at ten new locations, with a continuing synergistic relationship between the two. Started as a mail-order house, it established its first store in Seattle in 1917, when it did \$11 million in sales. Reciprocal relation between stores and catalog operation and new tie-in with Ford Motor Company augurs well for Eddie Bauer.

Early Winters

A dozen years ago, during a backpacking expedition into the Early Winters region of the North Cascades, a violent storm hit the tent of Bill Nicolai, a former computer programmer at Boeing-Seattle. Nicolai and a companion barely made it out alive. Like L.L. Bean, Nicolai decided he could build a better product. Calling upon his background, he designed the Omnipotent which is regarded as one of the finest expedition tents. At first it was a one-man, one-cottage industry, with Nicolai modeling his product at street fairs and trade shows. By 1975, while seeking ways to make a new lightweight tent that would be both breathable and waterproof (an unheard of combination) along came a new material called Gore-Tex that made the impossible real. Later, to the manufacture of tents, Nicolai added parkas and other relevant items, and soon business increased manifold. By the tenth anniversary, sales at Early Winters approached the $10 million mark. The increase prompted *Inc.* magazine to include Early Winters in a list of the 100 fastest-growing privately-owned companies in the country. With Gore-Tex, Early Winters came to be viewed as a serious technologically-oriented company, which aimed at finding new high-tech items and designing improvements for old products.

A Retrospective Look at Sears' Growth

From its modern inception in 1872, the term "mail order" has served as an accurate and felicitous phrase. For over 50 years, mail order was a precise term . . . order by mail. During this period, the post office was the primary, and, usually, the sole vehicle for mail-order promotion, ordering, and delivery. As times and conditions changed, the means for carrying out the mail-order operation also changed and improved. This can best be seen by examining the development of Sears, Roebuck.

With the aim of increasing sales to its customers, Sears introduced credit in 1911. (Spiegel had been the pioneer in offering credit on easy terms by mail in 1905.) The extension of credit has been one of the major factors in mail-order growth. In 1980, 25 million U.S. households held active charge accounts with both Sears' stores and catalogs. A similar trend was true of the other companies in the "Mail Order Big 5." Credit continues to assume an ever larger proportion of total sales.

Impact of Social Change

In October 1925, Sears opened its first retail store in Evansville, Indiana. (Ward opened its first retail outlet in Vincennes, Indiana in September 1926.) Thus began a trend that is highlighted today by the increasing reciprocal interconnection between mail order companies and their retail outlets. If we are to understand the evolution of mail order, we must answer the question: Why did Sears move ahead so rapidly with the opening of retail stores from the '20s into the next few decades? The answer lies in its management's uncanny social vision and ability to anticipate the effect of social change on the marketplace and consumer buying habits.

During these years profound changes took place. This was reflected in the growth of the automobile and the national highway system, the Great Depression of the '30s, vast demographic changes in a continually increasing population, World War II and its aftermath. By 1920, half of all Americans were living in rapidly growing urban centers. The auto was responsible for transforming the social map of the United States, particularly for the rise of the cities, (and later their decline) and the suburbs. The auto determined how and where we lived, worked, shopped, used our leisure, and where we located our factories, schools, hospitals, churches, and shopping centers.

It was Sears, the country's largest dry-goods merchandiser, that became the pacesetter for auto accessories, tires and supplies, as well as for the new household appliances and other durable goods. Sears became the main supplier to a population eager to get the new products they needed and wanted to satisy their changing mores and lifestyles.

The Mail-Order House

Sears played a major role in another area. Since Sears was selling everything for the home, the company reckoned it would offer the house itself for sale. This was in 1908. Selling pre-fab homes by mail order was nothing new. From the late 1870s, architects George and Charles Palliser of New York published pattern books, aiming their designs at "the masses of our country." It was an attempt to help the middle class build homes in good taste. An example of a Morgantown, West Virginia Mail-Order House is graphically described in *Goldenseal*, summer 1982, the magazine published by the state of West Virginia through its Department of Culture and History.

Murriel and Opal Wells, after living with Opal's parents for eight years, decided to order a house—pre-cut, numbered pieces shipped as one package by railroad. The house had been described and illustrated in the Sears, Roebuck Catalog. The total price was moderate, and they bought the pre-fab house in February 1928 on the easy-payment plan. It cost $2,400 delivered. By the time it had been completed, the total cost was $4,100. The Wells paid Sears $38 a month—$19 interest and $19 on the principal.

Mr. and Mrs. Wells had a lovely home which included two bedrooms, living room, dining room, kitchen and bath. They moved in on August 13, 1929. Then came the Great Depression, the banks failed and their modest savings were wiped out. But Mrs. Wells, who lives in the same house 53 years later, said that Sears was very understanding. The company arranged for the Wells to pay only the interest for a number of years. Opal Wells speaks of Sears, Roebuck with appreciation: "They were angels," she says.

It is of no little interest to note that, after half a century, the mail-order house is still in excellent shape outside as well as in. There are very few changes, none structurally. The original plaster is still on the walls and the only crack in the ceiling occurred after 50 years.

In their catalog promotion of these pre-fab homes, Sears appealed to young couples who were desirous of moving into the suburbs to raise their families. The promotion stressed that all building instructions were typewritten, that the house could be built with little outside help.

Most exciting for the housewife was the decorating advice found in the catalog. Suggested materials, doors, buffets, leaded windows, various moldings, flooring, newel posts, and lock sets were only a few of the options. An illustrated catalog also guided her in the selection of furniture and accessories appropriate for her new house. A well-marked floor plan was included with each order enabling her to select the best arrangements.

A post-script is in order. From 1908 to 1933, Sears sold 100,000 of these pre-fabs from its catalog. Quite a few were sold in Northern New Jersey and New York, and in every borough of New York City except Manhattan. The present owner of one of these pre-fabs, in Staten Island, wrote in the *New York News* (1982), "The quality of the house was unmatched for its time, and, even now, 57 years (after it was assembled), it is as solid and as sound a house as we've ever seen."

To conclude this historical footnote: Sears, Ward and other mail-order companies dropped out of the business of pre-fab homes as a result of the Great Depression. Massive unemployment and widespread closing of banks brought about too many foreclosures, because of inability to pay the installments.

Rise of Sears' Catalog Mail-Order Business

In the '50s, Sears took the lead in setting up a network of catalog desks, catalog stores, and agencies in key urban and suburban areas of the country, to provide for the new and growing demands of the catalog mail-order business. During the '60s, the telephone became the major vehicle for ordering from the Sears and the other "Big 5" mail-order catalogs. The introduction of the 800 incoming WATS lines vastly expanded ordering by telephone. In 1980, only three percent of Sears' catalog orders came via the mail, while 87 *percent* of catalog orders came via the telephone. It should, also, be noted that the Big 5 mail-order companies employ hundreds of telephone operators to solicit orders from their customers for new and special merchandise and for other sales purposes.

The Sears Phenomenon

A review of the Sears catalog, now in its 97th year, has profound lessons for direct marketers. In 1980, the catalogs contributed about $4 billion of Sears' annual merchandise revenue. (In 1982, Sears produced 43 catalogs for a total of 300,000,000 books.)

According to J.B. Kelly, Vice President, Catalog Sales (now retired), the Sears catalog has numerous functions, most of them marketing, as follows:

1. To sell the company's goods: (the function of advertising and promotion);
2. To develop specific geographical areas into markets when it becomes logical to open a retail store;
3. To use the catalog to supplement the store's assortment and selection. (A large assortment of curtains is easy to display in a store and takes up a few square feet of space. Bedspreads and quilts look best when displayed on a bed and that takes lots of valuable floor space; ergo, Sears' catalogs have a minimum assortment of curtains, but a wide display of bedspreads can best be shown covering dozens of pages in the general catalog.);
4. To use the 17 specialized catalogs to develop volume businesses you are not in, or cannot be in, with a general department store. These catalogs include western style clothing, clothing for big and tall men, floor coverings, toys, tools for the home, etc.;
5. Use the catalog to increase the number of credit account customers;
6. As a forerunner of future business direction; e.g., the opening of five business-equipment specialty stores selling small business computers and software, copying machines, calculators, typewriters, word processors and dictating machines. (Compare this with the plans of IBM and Xerox, envisioning opening hundreds of similar-type stores, without the wealth of information and knowlege accumulated by Sears in the last several years in its specialized catalog of office supplies and equipment).

Sears' view of the catalog as a marketing force rather than as an advertising tool is known internally as "total marketing." Marketing is viewed as "an orientation towards running a business." This approach might well explain why Sears is in the vanguard of exploring, experimenting with, and testing the new world of the electronic catalog.

Finally, it should be noted that Sears has one of the most comprehensive catalog circulation systems in its computerized customer file. This sytems keeps records of the catalog purchases of 30 million households. It arranges these customers not only by what their purchases have been but, even more important, develops a dollar estimate of what each customer will buy from a Sears catalog in the next 12 months, if given one.

These records are strengthened by an extensive and continuing research and testing of customer attitudes toward products, services, copy, art. The impact of lifestyles is indicated not only in Sears' special interest and general catalogs, but also in its stores. In 1983 it upgraded many existing stores to cluster merchandise groupings around customer living habits, such as photography, audio and video products, etc. Sears' research has shown that the retail-catalog interaction is beneficial to both sides of the business; e.g., a family that receives a catalog is twice as likely to shop in a Sears' store and spend twice as much as a household which hasn't received one.

After decades of steady growth in catalog sales, a decline occurred in the recessionary years of 1980-82. As already pointed out, Sears has taken a number of strategic and marketing actions to overcome this sluggish trend. Sears' catalogs are pivotal in this strategy. Gordon Weil, in his book *Sears, Roebuck, USA*, emphasizes the fact that the catalog's main appeal is in the vast assortment of merchandise and the clear and complete description of the products—plus the increasing use of the telephone for ordering. This point is confirmed in a nationwide series of full page print ads in 1982 which read, in part, as follows:

Why 1 American family in 3 counts on the Sears catalog

Our picture (of a family dining) shows just one reason so many families keep a Sears catalog handy. Here are ten more:

1. Sears new General Catalog lists almost 100,000 products. Or check our 18 *Specialogs*, such as *Home Health Care* and *Home Improvement*.
2. Save time and order by phone.
3. Pick up your order at over 3,400 Sears Catalog Units.
4. Delivery is available at extra cost.
5. Sears will "Ship-A-Gift" for you anywhere in the U.S.
6. Famous Sears values.
7. Quality you can count on.
8. Sears services what they sell.
9. With Sears credit, you can charge your order.
10. Finally, everything you buy is backed by the famous Sears promise: *Satisfaction guaranteed or your money back.*

Find out how to get the new Sears catalog at your nearby Sears store.

You can count on

Sears

SEARS, ROEBUCK AND CO

Increased Direct-Response Media Activity

Beginning in the late '40s, direct mail took a large step forward both in volume, quality, and a vast variety of formats, including the greater use of four-color brochures. New promotional techniques—stamps, tokens, sweepstakes, coupons, billing and package inserts—were becoming widespread and often more effective. Coupons, whether placed on a page in a supplement, or in a preprint, have become effective performers for direct marketers. Post-card and card-deck mailings, catalog bind-ins and statement stuffers, and the old standby—co-op mail—played a continuing role. Coupons have been around since 1898, when C.W. Post started using penny-off coupons to sell cereal. Only in recent years has the practice hit full stride. In 1982, 119.5 billion coupons were issued in all promotions, bearing a face value of $25 billion.

During the '60s and '70s, direct mail continued to be the underlying base of the multimedia revolution with the list as its core. This development was aided by the computer, ZIP codes, and census tracts as tools for market segmentation.

Direct response advertising in magazines and newspapers has continued through the years. It reached a turning point, in 1959, in the form of a four-page bound-in card stock centerfold-insert with a perforated BRC which appeared in *TV Guide*. The ad was created by the Wunderman, Ricotta & Kline agency for the Columbia Record Club. This revolutionary production technique opened up new print possibilities, including bind-in inserts in a wide variety of forms. It was a factor in the rapid growth of other types of direct-response print advertising, including the meteoric growth in the '60s of free-standing newspaper inserts. These inserts or preprints came in many forms: 4- 8- or 16-page "mini"-magazines that fall out of Sunday papers; ad inserts that are dropped or bound into a periodical. They are often quite succesful. According to one 1981 survey by the research firm Starch-INRA-Hooper, free-standing inserts in a Sunday edition of the *New York Daily News*, received a 90 percent readership score.

Between 1978 and 1982, the number of free-standing inserts in newspapers, both Sunday and daily, grew from 24 billion to 30 billion. One example of the competition for this growing massive distribution is seen in the work of Advo Systems, Inc., of Hartford, CT. The company claims it can deliver circulars to markets, ranging from a single ZIP code to 85 million American households, through coop mail, or as it is called "shared mail," or "marriage mail." It sent out seven billion mail packages in 1983.

This operation is to be expanded in 1984 by Blair Marketing and Advo in a joint venture called Network Mail. This will be bi-monthly coop and coupon mailing of 48,000,000 packages. It is worth noting that Allstate Insurance Company (a subsidiary of Sears, Roebuck) is a partner in Advo Systems.

At the same time, newspapers are going into direct mail more vigorously by covering households where the newspaper is not delivered. *The Los Angeles Times*, for example, offers advertisers a choice of 147 geographic delivery areas.

In the 1950s and 1960s, as radio stations began to fear over-commercialization, as well as competition from TV, they instituted a 60-second commercial time limit. This substantially decreased direct-response dollars going into radio. However, as more specific markets became available in the 1980s, direct response has increased. Many direct marketers continue to find radio cost-effective as witness the *Wall Street Journal*, that publication's *National Business Employment Weekly*, *Smithsonian*, *American Heritage* and others.

In the '50s and early '60s, television response commercials were still largely heavy-handed, with a "pitchman" bravado. It was in the late '60s and '70s that TV direct-response advertising increased not only in volume, but also in quality—both in direct sales of books, records, and other merchandise, in generating leads, and as a support medium for direct mail. The latter technique was introduced by Reader's Digest in 1969. Its success in increasing direct-mail and telephone-response led to a considerable growth in this type of TV support commercial by other direct marketers, including Publisher's Clearing House, Time-Life Books and Columbia House. With the increased use of new media and new techniques in the '60s, the term "direct response" (or direct response advertising) came into vogue, and rightly so.

As far as can be determined, the first use of the term "direct marketing" occurred on October 1, 1961, in a speech by Lester Wunderman to the Hundred Million Club (now the Direct Marketing Club of New York.) The term was used again and elaborated on by Wunderman in a speech at MIT, November 29, 1967. He said, "I believe the term 'direct marketing' is more appropriate than mail-order selling . . . direct marketing where the advertising and buying become a single action . . . direct marketing is still on the debit side in most advertising and marketing forums . . . (But) The future of direct marketing is bright. It represents a significant—perhaps a revolutionary transformation in our economy."

In May 1968, Pete Hoke changed the name of *The Reporter of Direct Mail* to *Direct Marketing Magazine*. From that time on, he became the outstanding proponent and missionary for the term direct marketing, helping to define and refine its meaning and to broaden its scope and signifiance. Currently, the term has become more popular and more favorably accepted in advertising, marketing and business circles, in print and electronic media, in academia, and, not least, in increasing numbers of the consuming public.

Credit Cards Spur Growth

The credit card revolution that began in the '50s has had an enormous impact on direct-response marketing across the board. It has opened new vistas in high-ticket merchandise and syndication. There are an estimated 600 million credit cards in the United States. This trend has been especially manifest among large oil companies, banks, airlines, American Express, and other T&E cards. The first T&E card was established in 1950 by Diners Club, followed by American Express in 1958 and Carte Blanche in 1959. The Bank of America introduced its card in 1958, followed by banks throughout the country in the '60s and '70s. Bank credit cards enjoyed steady growth until 1979 when the total number of Visa cards and Mastercards in circulation reached 120 million. During the recession of 1979/82, the bank credit card market became saturated, and both cards declined to 103 million at the end of 1982. However, the number of transactions and sales generated that year was 1.5 billion of the former and $65 billion of the latter.

Diners Club

The founders of the Diners Club were Al Bloomingdale and Ralph Schneider. They reasoned that new means of transportation and communications emerging immediately following World War II would bring about the development of domestic and international business activity on an unprecedented scale. They foresaw that, in a period of economic expansion, the widespread acceptance of credit would become an accepted fact of business life. Subsequent events were to prove them right beyond their wildest dreams.

American Express

American Express has greatly enlarged its direct mail and catalog merchandise activities to sell quality products to its upscale card members. In 1980, the card division sent out 200,000,000 pieces of mail to attract new card members. American Express is the largest single client of the New York City Post Office, and one of the three or four largest users of direct mail in the nation. In 1980, the merchandise division sold 525,000 Carnegie Hall records; 6,000 King Tut busts; 31,000 Gorham plates; 13,000 Panasonic TV sets. In four years, 12-million Dutch tulip bulbs were sold. In 1980, American Express issued a special China catalog, and other special catalogs are in the offering. From $29 million in sales in 1974, sales in 1981 rose to $150 million in the Merchandise Sales Communications Division of American Express. The division sent out 44 different catalogs and direct-mail packages that year.

In 1982, the Division sold 30,000 Gucci watches at $150; 70,000 Sinclair computers at $100/with adapter $149; 8,000 Sony stereos at $1,600. The number of Selectric typewriters sold were 18,000 at $690/with accessories $795. In 1983, the estimated figures are: sales, $182 million; direct-mail packages (catalogs, solos, etc.), 110 million. It has a joint venture with AT&T and devotes two pages to AT&T products in its catalog. In 1984, the division will focus on specialty catalogs such as: American Express Means Business (business & related products); Electronics by Design (consumer electronics); Telephone catalog; Software catalog; Don't Leave Home Without It (travel related products). With its large upscale customer lists, no finance charges, 20 months to pay and 15 day in-home trial for its fine products, the merchandise division has a growth outlook in the years ahead.

Citibank

Similar merchandise efforts are apparent among banks and other companies in the credit card field or with credit-approved lists. Another example is the increased direct-response activities of airlines, especially with inflight catalog books featuring gifts, accessories, and other products. Banks throughout the country have expanded their direct-response marketing in promoting and selling merchandise to their cardholders. Citibank is a prime example of this trend, which is focused on its MasterCard and Visa cardholders. It offers its "Citidollar$" program toward catalog merchandise discounts with every purchase made. In addition, it offers an array of other programs, including mail-order book sales and a computerized shopping service jointly with Comp-U-Card, which seeks out best-buy merchandise by computer for members of the Citi $hopper Discount Shopping Service. Another variant in the use of bank credit cards for direct marketing is the program of the American Automobile Association which comprises 70 auto clubs and involves some 20 banks. Under the program, a bank offers such benefits to club members, as a Visa card which includes travel insurance with reduced annual fee for the card. Banks see the nation's 23 million auto club members as a lucrative and credit-worthy market.

The Evolution of Syndication

Syndication in direct response of any significance had its beginnings in the '50s with such products as tools, dinnerware and some other merchandise—but the main impetus came in the next decade when the oil companies entered the field. One of their aims was to increase traffic at their stations. In 1959, Bell & Howell launched the Robert Maxwell division to promote its movie camera for $150 . . . a high price for any mail order merchandise in those days. It had enormous success in the mail-order field and in syndication. For many companies, syndication was a highly profitable business in the 1960s. This was particularly true of the oil companies and others with established credit-worthy and large lists, such as T&E cards, bank cards, mail-order companies, and publishers. The inclusion of sweepstakes offers often increased response substantially. Syndication utilized a variety of formats including solo mailing packages, statement inserts, remittance reply envelopes (bangtails), and catalogs.

The substantial profits for all parties that existed in the early years of its growth is no longer the case at the beginning of the 1980s. Lower response, as syndication proliferated, and the cost squeeze in postage, printing, merchandise, and financing have created new and serious problems for some syndicators. A decline of syndication by oil companies as a result of the energy crisis in the late 1970s has further complicated the situation. Oil company syndication in 1982 was $500 million down from the previous year. The recent emphasis by syndicators has been on the use of inserts and bangtails instead of solo direct mail and on efforts to develop long- and short-term continuity programs.

The Significance of the Increase in Working Women

Perhaps the single most important social factor that has influenced the marketplace has been the meteoric increase in the employment of women in the past decades. In 1981, 45 million, or over 50 percent of all women, were in the labor force. Women comprise 43 percent of the entire work force in the United States. Of 19 million new jobs added in the past decade, 11.5 million went to women, or three out of five. In 1979, 1.4 million of 2.1 million new jobs went to women, or two out of three.

According to a Louis Harris poll for *House & Garden* Magazine, 66 percent of working women, 25-40 years of age, represent dual-income households with children. 70 percent of households being formed are two-income households, and they will dominate the market-place of the '80s. The Postindustrial Society, as it is sometimes called, is more and more female-centered in employment. Women now comprise well over half of all undergraduate students in the U.S. 70 percent of all jobs are now in the service industries: health, travel, leisure and recreation, art and entertainment, non-profit institutions and associations, civil service, education, information and knowledge industries (including R & D), new communications and communications industries, data processing services, etc.

The U.S. Labor Department estimates that, between 1983 and the mid-1990s, many of the new jobs created will be taken by women. One caveat on this estimate should be kept in mind: female employment is concentrated in areas particularly prone to displacement by automation, as for example, in offices, banks, insurance companies, as well as in the clerical jobs in smokestack industries. In the developing hi-tech industries, women are generally employed in the less-skilled and lower-paying jobs.

The AT & T Annual Report (1980) states that the business sector of the information market, (i.e. business telecommunications, data processing, word processing and handling, business travel) stands at $200 billion annually and is expected to triple by the end of the decade. According to Prof. Eli Ginsberg (*Scientific American*, March 1981), the production of goods in 1978 comprised 34 percent, and services 54 percent of the gross national product. In 1977, 25 million (32 percent) of the workforce was employed in the production of goods, 54.4 million (68 percent) in the service sector.

About 32 percent of jobs in goods-producing industries aren't involved in production. Rather, they are largely service-type occupations. Three of every four workers on nonfarm payrolls are employed in service-oriented businesses.

Changes in the Marketplace

For direct marketers, it is vital to recognize that this social transformation is changing the marketplace. According to a recent psychographic study, many families with two incomes entertain more, use stereo, are into do-it-yourself, are prime prospects for microwave ovens and their timesaving system of meal planning and preparation, as well as the new products of the telecommunications and televideo revolution.

Today's consumers are more educated, more sophisticated, and more skeptical of advertising. They want more information and less exaggeration. Consumers expect sound value; i.e. quality at a reasonable price. They are concerned with the quality of life, self-realization, and a variety of experiences achieved without always acquiring products. It is a matter of fact that a multiplicity of markets exist side by side and are ever-changing; that the individual consumer is contradictory at different times, with changing values and attitudes, with distinct tastes and interests which make up his or her lifestyle.

In this complex situation more direct marketers are embracing the modern marketing concept which tries to get the company to stock, and even to anticipate, what the consumer wants and needs. Fortunately, new technological tools and advances in biology, psychology and the social sciences make it possible for direct marketers to become more professional in long-range planning, innovation and product development, and in market research and analysis, in order to better zero in on what makes the consumer tick.

An understanding of psychographics and lifestyles has become the prime factor in today's targeted marketing.

Daniel Yankelovich, in his book *New Rules*, states that "the struggle for self-fulfillment is the leading edge of a genuine cultural revolution." The author points out that many espouse an ethic of commitment that helps to preserve older American values they cherish with new values embracing greater autonomy for men and women, more freedom to choose one's own lifestyle, self-expression and creativity, and a more caring civic attitude. These changing social values have a significant impact on the marketplace. Consumer values more than demographics alone help to determine buyer behavior. A market has been defined as "people with needs to satisfy, money to spend, and willingness to spend it." Psychographics is the measurement and analysis of the consumers' propensity to purchase.

One recent study showed that, in similar demographic areas in California and New York, sales of swimming pools, cook-out, and garden products were twice as high in California. In the mid-70s, a top Sears executive stated that his company "makes a scientific examination of the consumer along psychographic lines and, from these, charts psychological traits and likely consumer behavior." These changing wants and needs of the consumer are then coordinated with product development and a marketing program. Edward Donnell, Chairman of the Board of Montgomery Ward, has underscored the new and changing marketplace when he remarked on "consumers' changing needs, wants and lifestyles from a post-Civil War agrarian society to today's fast-paced urbanized mobile jet age."

Life-Style Research

An extremely useful book for direct marketers is *The Nine American Lifestyles* by Arnold Mitchell, based on a three-year study of Values and Lifestyles, or VALS for short, developed in conjunction with SRI International. The accompanying chart summarizes these findings regarding American lifestyles and important attitudes.

The Need-Driven Groups

Survivors—Old, intensely poor, fearful, far removed from the cultural mainstream. 4% of the U.S. adult population.

Sustainers—Angry, resentful, street-wise, living on the edge of poverty, involved in the underground economy. 7% of the U.S. adult population.

The Outer-Directed Groups

Belongers—Aging, conventional, content, intensely patriotic, traditional Middle Americans. 35% of the U.S. adult population.

Emulators—Young, ambitious, flashy, trying to break into the system. 9% of the U.S. adult population.

Achievers—Middle-aged, prosperous, self-assured; the leaders and builders of the American dream. 22% of the U.S. adult population.

The Inner-Directed Groups

I-Am-Me—Very young, narcissistic, impulsive, exhibitionist; a transitional state to Inner-Direction. 5% of the U.S. adult population.

Experiential—Youthful, seeking direct experience, artistic, intensely oriented toward inner growth. 7% of the U.S. adult population.

Societally Conscious—Mission-oriented, mature, successful, out to change the world. 8% of the U.S. adult population.

The Combined Outer- and Inner-Directed Group

Integrated—Psychologically mature, tolerant, understanding, flexible, able to see "the big picture." 2% of the U.S. adult population.

The single most compelling reason why marketers should know about the values and lifestyles of Americans "is that they tell us so much about who we are—as individuals, as citizens, as consumers and as a nation." By the term "values," Arnold Mitchell means "the entire constellation of a person's attitudes, beliefs, opinions, hopes, fears, prejudices, needs, desires and aspirations, that taken together govern how one behaves. One's interior set of values—numerous, complex, overlapping and contradictory though they are—find holistic expression in a lifestyle."

Further, "an individual's array of inner values create specific matching patterns of outer behavior—that is, of lifestyles. Neither values nor lifestyles alone, would be sufficient to provide the (necessary) framework . . . Behavior—private, economic, social or political—is not random but reflects specific sets of inner drives. These drives may have their origin in external reality, such as poverty. They may also originate in inner reality, such as the dream of being a great athlete." A framework linking the outer and the inner world helps yield the comprehensive VALS system.

It is evident that the most fundamental business use of lifestyle research lies in market segmentation. The automobile provides a familiar illustration that "different value groups tend to buy different products and services for different reasons. Achievers buy more large and luxury cars. Belongers tend toward "family-sized" cars. The socially conscious purchase more gas savers; muscle cars are bought by emulators and experientials, the need-driven are heavy in the second-hand market. And the author continues "The Inner-Directeds are far more likely to buy a foreign car than the patriotic America-first belongers. Literally hundreds of market segments can be delineated by running various demographic, attitudinal and financial cross-tabulations."

An analysis of two of the nine VALS types as applicable to catalogs is provided by Rebecca Holman, Manager-/VALS programs, at Young and Rubicam, one of the agency subscribers to SRI International's VALS programs.

The Socially Conscious types are concerned with conservation issues, and response might be increased by indicating that the paper is recyclable. They seem almost not terribly interested in fashion changes but, rather, in functional design or fine craftsmanship. The group is the best educated of the nine VALS types. Copy should be presented very intelligently without talking down to them. Their median age is 37 to 38, they were part of the Woodstock generation; they are sensitive to the problems of elderly people and would accept a catalog that showed a variety of individuals including young, elderly and different ethnic groups. Additionally, this group is interested in getting a lot of information; a large proportion are dual income households. They spend a lot of money on books and records, are house-centered and like working with their hands (organic gardening for example).

According to Holman, Belongers are oriented to tradition. The neighborhood is their focus. Products that are family centered are most important together. Catalogs in this group should show models that represent neither an extreme in age or type. They want assurance of quality; guarantees are very important to them. They would like to be treated as individuals, and, when they call a toll-free 800 number, they like to be addressed by their name.

The conservative Belongers make up the mass market that many companies have been selling to for years. They are 35 percent of the adult population but will shrink somewhat in numbers in the mid- and late-'80s. The Inner-Directed consumers will grow from 22½ to 30 percent of the population by 1990. The Inner-Directed group wants high quality products, exhibits less brand loyalty, and is more willing to experiment. These buyers are often innovators and leaders, making them an important target for marketers of new products.

Direct marketers have to understand what makes people tick in order to develop methods and appeals that achieve effective results to different market segments. What lifestyle research tries to do is bring people alive, to look at a person historically, as an entity, not as isolated pieces.

The Increase in Two-Income Families

By the end of the decade it is estimated that the population representing incomes beginning at $35,000 (in 1980 dollars) for a household of four will be a dominating factor in the marketplace. Made up of 13 million people in 1980, estimates indicate it will grow to 21 million in 1990. The $35,000 to $50,000 will grow largely from two-income families. Overall, 42 percent of all households have two or more persons working. But in families with $35,000 income or more, over 64 percent include working wives. Presently—and increasingly in coming years—affluent households are more likely to be two-income families, headed by individuals in their middle to late thirties. These families are the buyers of video games, video cassette recorders and home computers; they are the generation that grew up on television and modern technology. They do not have much free time, and many of them have become ardent mail-order buyers.

These two-income families are interested in quality education for their children and for continuing education for themselves. This also explains the startling success of such magazines as *Smithsonian*, and the strong showing of science magazines, including, *Science* 82, *Discover* and *Science Digest*, as well as *Psychology Today*.

Thomas H. Black of *Smithsonian* explains the phenomenal growth of its circulation from its founding in 1970 to its circulation of nearly two million in 1983 as follows: "One of the most significant socioeconomic developments in history is the growth (since World War II) in the number of people educated, and who have attained a more affluent life style—if the market were the same today as it was in the 1950s, *Smithsonian* might not even have a circulation of 400,000."

In the past few years, a vast increase in research and analytical information has become available on consumer purchasing behavior. Simmons Market Research Bureau has introduced computerized psychographic information on product users. Its Insight Retrieval Systems program tracks users of 4,000 brands. This is integrated with SRI International's VALS program.

Among other developments in this field is included the "47 clusters" program based on lifestyles of 72 million U.S. households offered by Donnelley Marketing Information Services. An update of this is the Cluster Plus program which matches Simmons respondent database on individual households with Donnelley's national household file. Cluster Plus is both a *strategic* tool for evaluating consumer markets and a *tactical* tool for implementing marketing programs. It can be used to evaluate media effectiveness and customer lists, as well as to identify emerging new markets.

Upscale Magazines on the Move

Many of the consumer magazine success stories of the last decade have involved affluent-oriented magazines. For example: Since 1975, *Architectural Digest Magazine* has almost tripled its circulation to 600,000; *Town & Country* has nearly tripled its circulation to more than 300,000 in the past decade; *Vanity Fair*, reincarnated in March 1983 as a magazine for the "new young elite," has received more than 500,000 subscriptions, double the first issue's circulation base of 250,000.

There seems little doubt that the most critical factors that have stimulated the market for affluent-oriented magazines stem from the changes in the size and composition of the affluent population—particularly, the rapidly increasing number of young newly affluent households. The availability of highly-segmented mailing lists of this section of the population has been another factor in the rapid growth of these magazines.

In a memorandum on the list of *Psychology Today's* 750,000 subscribers, The Kleid Company makes the following cogent comments: The subscribers are overwhelmingly young (30.5 median), on-the-rise ($27.5 median income) career builders with a curiosity about modern life, a zest for new ideas and experiences, and a taste for the ease and convenience of mail-order shipping. The memo further states that the magazine's subscribers are likely to respond to offers for books of information and entertainment fact-oriented magazines, record clubs, self-improvement seminars, contribute to quality-of-life organizations, and use mail-order catalogs to locate hard-to-find items.

According to census data and demograph research 75 percent of upscale affluent women (ages 25 to 65) are in the workforce. These upscale women are characterized not only by their income but also by their motivation and taste as well as by various demographic factors. They want to be something in their own right, have a sense of self and self-esteem; want individual status and not only derived status.

With their credit cards, they are buying large ticket items (stereos and furniture, videocassette recorders, spectacular vacations). Depending on the size of their household, these upscale affluent women are a vast market for apparel, jewelry, housewares, home furnishings, gourmet items and gifts.

These women are readers of magazines, newspapers, and books. Still loyal to the traditional women's fashion and service magazines (*Vogue, McCalls, Womans Day*—all three of which are adjusting to the new lifestyles), these women are also supporting a new generation of publications—*Savoy, Ms.* and *Working Woman.* Some of these upscale professional business women have also become subscribers to such former business men's domain as *Money, Business Week, Fortune, Harvard Business Review* and *Wall Street Journal.*

Changing lifestyles and the food revolution have brought about enormous growth in cook books and magazines in what has been dubbed the epicurean field. Circulation of the four largest of these magazines are: *Bon Appetit*, 1.3 million; *Cuisine*, 750,000; *Gourmet*, 650,000; *Food & Wine*, 500,000. These magazines—particularly *Bon Appetit* and *Cuisine*—have achieved their large circulation with the aid of substantial direct mail and other response promotions. They offer a fine medium for mail-order promotions to segmented upscale audiences. The serious cook is a potential customer for a wide variety of products, from microwave ovens to food processors and gourmet cookware. An interest in good food may include a desire to travel to gourmet spots around the world. In addition, the food connoisseur may appreciate the best in everything—automobiles, liquor, jewelry, furniture, and objects d'art.

Mail Order Trends

In examining trends of mail order to consumers in recent years, it is necessary to look at the three legs of the triad of mail-order distribution of products and services.

In the past 15 years, the very rapid growth and expansion of specialty products and the slower growth of the Big Five (now big Four), and other general merchandisers in mail order, have reversed their roles in total annual sales; specialty products now account for about two-thirds of mail-order sales to consumers. Furthermore, in the past few years, the growth of consumer mail-order sales of services has been so rapid that it is now the second leading part of the triad.

During the recession and inflation of 1979-82 a slowdown occurred in mail-order sales, particularly in low-end gifts, crafts, collectibles, records, and, in some areas, of books and magazines. Mail-order firms with slow or limited growth during the recession were: Foster & Gallagher, Columbia House, Grolier and Time Life Books. An absolute decline involved Aldens and Sportpages.

However, during this recession period, a few firms continued their rapid growth: Avon Fashions, L.L. Bean, Garden Way, Hanover House, Rodale Press, Sharper Image, Lillian Vernon, and Early Winters. The most rapid product and service growth segments were consumer electronics, science items, sportswear, and financial services. The growth in services mail order is typified by mail-order selling of insurance, tickets to cultural and sports events, selling of subscriptions for cable TV service, membership in auto clubs.[6]

General Merchandising

Thomas J. Peters and Robert H. Waterman, in their best-selling book *In Search of Excellence*, state, "For years and years, Sears Roebuck thrived under the flag of quality at a decent price." It perceived a need to go upscale—and failed." They conclude their quotation from Gordon Weil, author of *Sears, Roebuck, USA*: "Imagine McDonald's introducing a sirloin steak, raising the price of its Big Mac and withdrawing its plain hamburger. That was Sears' growth strategy. In short, Sears was trying to do two things at once." In the past few years, in order to overcome the limited growth in its mail order sales, Sears has streamlined its customer database, put greater emphasis on its 'specialogs,' and focused its fashion merchandise more closely to the rapid lifestyle changes.

Robert E. Wood, II, Sears vice president advertising and sales, says "The future is specialty catalogs. The general catalog will become smaller and less distributed." The general catalog costs $4 to print and mail, but only 28 to 50 cents to mail its specialty catalogs. Among its specialty catalogs are back-to-school, cook ware, communications equipment, stitchery, ski wear, and gourmet kitchen accessories. While this trend is strong for general merchandisers, specialty catalogs are not always an unmixed blessing. Sears is considering discontinuing its western wear book and assimilating it into its farm-and-gardening catalog. "The bloom is off the rose of the western-wear fad," Mr. Wood remarked. Sears' (as well as Ward's) catalog sales average between 20 and 25 percent of their total merchandise sales.

"Montgomery Ward has been ignoring innovations for 25 years. An entire retailing revolution has passed them by," stated Samuel C. Johnson, a director of Mobil, Ward's parent company. Part of the cause during the years of recession and inflation, and even earlier in the 70s, was an attempt to undercut its merchandise and catalog competitors, which gave Ward a stigma for not selling quality goods. Added to that was the fact that 60 percent of the merchandise bought was on credit with easy-payment terms—which became a massive financial burden when interest rates soared. It is now striving to find a niche between K Mart, the nations largest discounter, and Sears.

An observation may be in order at this point. Over the past years, many large corporations have acquired mail-order companies, and some have set up mail-order companies from scratch. This has brought about a tendency among a few direct marketers to predict that small and medium mail-order companies will decline, if not, be submerged.

A contrary and sounder view is offered by Cecil Hoge, the encyclopedic mail-order historian. He believes that not only will the Fortune 500 companies not "take over" mail order, but that small- and medium-sized mail-order companies will continue to increase in number. He estimates that there are in the U.S. about 1,000 mail-order companies with annual sales of $5 million or over; 10,000 companies that do between $500,000 and $5 million, and between 40-50,000 that do less than $500,000. He believes that the entrepreneurial spirit is on the rise in mail order and not on the decline—and he adds that these mail-order companies are labor-intensive and job-producers in an era when structural mass unemployment is a critical national problem.

J C Penney

A huge red banner with bold block lettering is draped in front of its New York headquarters. It says simply: *Halston III, J C Penney*. With its $1 billion dollar effort behind one of the world's most celebrated fashion designers, the company has come a long way since it started as a tiny country store in Kemmerer, WY, 82 years ago. Outgoing chairman, Donald V. Seibert, speaking recently at the American Museum of Natural History in New York, where 1,000 VIP's viewed the new Halston III line, hailed the introduction of the collection as "one of the important events in Penney's history." It is interesting to note that one of the reasons Penney has upgraded its fashion offerings is because research showed, according to Duncan Muir, Penney's public relations program manager, "women were going to Penney's to buy their husband's and children's clothes and were going elsewhere to buy their own clothes." A major expenditure will be for upgrading its 600 largest suburban mall locations.

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[6] Based, to a considerable extent, on Arnold Fishman's superb second annual Mail Order Guide—1982 (summary) in *Direct Marketing Magazine*, August 1983.

The Halston III advertising campaign will be comprehensive and, according to Lou Bremer, manager, marketing communications, its initial target audience is "upscale modern women and housewives with incomes between $20,000 and $50,000 per year." A special emphasis will continue on catalog business which accounts for about 15 percent of total Penney sales, (including insurance and other services), and is growing faster than retail sales. It will continue to attempt to shed its low-priced middle America image while bolstering its recent sluggish sales. And a Halston dress or coat will cost as little as $200 rather than the $5,000 it can cost for an original.

The company plans to distribute, in the fall of 1983, 12 million catalogs with a 24-page section printed on top-grade stock describing Halston III. The section in magazine format will consist of eight two-page color spreads followed by explanatory copy. The Halston III "magazine" will also be distributed at the point-of-purchase in a fixture which will be part of all Penney/Halston III shops. The print campaign's circulation in 1983 reached an estimated 40 million people, with 5-page, 4-color ads in such fashion magazines as *Vogue*, *Mademoiselle*, *Glamour*, as well as 2-color spreads in *Redbook*, *Cosmopolitan*, *Good Housekeeping*, *Working Woman*, and *Essence*. Each Halston III "magazine" contained a black and white one-quarter page coupon ad for requesting a catalog. A television campaign designed to reinforce the print campaign was undertaken in 1983 over the three major networks. Overall, Penney put out 28 catalogs (most of them specialty catalogs) amounting to about 200 million pieces.

Spiegel, Inc.

Since becoming president of Spiegel Inc. in 1976, Henry A. Johnson, has undertaken an audacious and seemingly sound transformation of the company's catalog operation. During this time, Spiegel has ceased to be a price-oriented store of last resort, offering low-price merchandise to people who bought because they could get credit. The new value-oriented Spiegel replaced the old catalog—focusing on designer clothes (Bill Blass, Perry Ellis and others) and department store merchandise—aimed at working women from 25 to 54 years old with household incomes of $35,000 and up. Johnson realized earlier than most that the modern woman with discretionary income is a national phenomenon even in the small cities.

The key to the new philosophy was upgrading Spiegel's catalog and its image. The general catalog in the spring of 1982 had a glossy woman's fashion cover on one side and when flipped over, a glossy house furnishing cover on the other. This makes for easier customer shopping since the book is divided into two sections—"Fashion World" and "House World"—and ensures that an attractive cover is always showing. Another motive is the hope that this catalog is put on coffee tables as fashion magazines are.

In the successful strategic transformation of its operations and image, Spiegel adopted what it calls the four *R's: re*cognition that the customer has changed; *r*esearch to find customers that fit the profile; *r*eached out with targeted specialty-type catalogs that offered specific merchandise; and *r*esponse which led Spiegel to cut circulation drastically as its database was used to reach more targeted markets.

In 1983, Spiegel put out an estimated ten specialty catalogs. These include its first "Private Lives," photographed in Paris; "Ambience," its successful fur catalog, cookware, fine linens, apparel for larger women, and one devoted to Liz Claiborne fashions. An innovative new format for a catalog-update mailing was part of Spiegel's expanding merchandise media program. Spiegel mailed an attractive 4-color package on quality stock which included a 2-page computerized letter that notes the amount of the customer's credit line. The mailing describes the color fashions that are "in," and the ease of shopping at home, toll-free ordering, to-your-door delivery.

No specific merchandise is sold but Spiegel is building "top-of-the-mind" awareness. The results were successful. It is estimated that total sales for 1983 are over $500,000,000, a 20 percent increase from the profitable year of 1982. A factor in this growth is the effective use of its database and its careful targeting of specific markets, presently aiming at households with incomes of $35,000 and up. Two of the new catalogs mailed in the fall of 1983 were the premier edition of *Pierre Cardin* which features men's, women's and children's fashions by the designer, and *Wool*, which offers woolens for men and women. Spiegel plans to publish 20 to 25 specialty catalogs for 1984. Opening of a new state-of-the-art in-bound telephone center is expected to achieve a vast increase in telephone orders in 1984.

Neiman-Marcus Co.

Not even a short history could fail to take an extended look at the Neiman-Marcus mail-order odyssey. Its story, experience, ingenuity, integrity and enormous success hold lessons for all direct marketers.[7] The initial mention of mail order which came five months after the store opening ad in the Dallas Morning News, February, 2, 1908, states "Neiman Marcus will fill all mail orders with the utmost care. Garmets will be fitted on models in sizes ordered before sending, assuring satisfactory garments." Seven years later, on January 3, 1915 a full-page ad announced, "We will take special care to fill mail orders promptly during this sale." At the bottom of the paper was an additional reminder: "Take advantage of our telephone and mail service. Prompt delivery." The mail order arm had become a permanent part of the business.

During this time, occasional brochures and merchandise leaflets were issued; the earliest piece *extant* is a small brochure, five by six inches, with six pages of Christmas gift suggestions. Its cover announced "The Christmas Gifts from Neiman-Marcus. Co."

The earliest extant catalog is one for 1926, when the store issued a five-by-three inch booklet with 16 pages of

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[7] His & Hers—the Fantasy World of the Neiman-Marcus Catalogue, by Stanley Marcus. Viking Press, 1982.

Christmas gift suggestions. This small catalog established a philosophy that was to become the basis of future catalogs which continues to the present time. The catalog showed unusual articles, many of which were imported, in a wide variety of prices, with emphasis on selectivity and taste. It was the first effort by the company to establish itself as a pre-eminent gift store, with a desire to enhance its gifts with beautiful and excitingly gift-wrapped packages. Neiman-Marcus was testing in unknown waters, because direct mail was not in vogue for high fashions, expensive apparel and gifts. The large direct mailers like Sears and Ward's in the '20s were doing a thriving catalog business mainly in work clothes and hardware items.

The quality of the catalog in its paper and printing, typography and graphics, art and illustration, with covers designed by well-known artists, have all enhanced its image and prestige. (Such artists as Ben Shahn, Robert Indiana, André Francois and Searle were commissioned to design covers.) But, the eventual success of the catalog depended on the fashion and attractiveness of the merchandise. To this end, its merchandise buyers are sent into the worldwide markets to come back with at least 10 percent exclusive articles. Neiman-Marcus has 75 buyers and merchandise managers, covering the world markets, with 20 buying offices in the important world buying centers. Final decisions are made with care for the 400 or so items that presently appear in the book, after they have been double-checked for taste, fashion, and value.

Encouraged by the improving economy after the Great Depression, as well as by the beneficial effects of the Texas Centennial in 1936, the first large-size Christmas catalog was published in 1939. It measured 12″ × 10½″," in two-color, with a gold cover and 13 merchandise pages displaying 256 items. By 1958, techniques of presentation had improved as to size, weight and colors, helpful for easy shopping. From then on, the catalog made news as well as sales and became a powerful selling tool—both to publicize the store and to add new customers to its mailing lists. The customers with frequency and continuity of purchases are placed on "a prime list." This prime list may, then, receive all 18 catalogs distributed annually—or, at least, those mailers containing the classification of items previously ordered. A $3 fee to non-charge account customers and others is made for the Christmas book.

In 1980 the format was changed to eleven inches square and had its largest distribution of over 1,250,000. It took 30 years to grow from the 50,000 distribution of 1950. The quantity for the 1983 Christmas catalog is well over 1,500,000. The impact of the changing socioeconomic milieu from 1926 through 1981 is seen in Stanley Marcus' comment: He says, "It's a tremendously interesting history of transition: from silk to Qiana, from wool to orlon, from the practical to the fantastical, from peace to war and back to peace, from prosperity to recession, from an emphasis on negligee for the boudoir to the related style of the patio, and from the spectator clothes to the active jogging outfits of today. In the pages of the catalog we see the effects of inflation, the changes in the economy, and the technological advances that brought forth all the electronic wonders of the day."

The credo that formed the basis for the success of Neiman-Marcus was laid down by the store's founder in 1907. "There is never a good *sale* for Neiman-Marcus unless it's a good *buy* for the customer." Stanley Marcus, the son of the founder, has commented, "My father was very convinced that you make money as a by-product of rendering a service. And he *wanted* to make money. But most businesses say 'Our objective is to make a profit,' and they forget that you have to do something to make that profit. Which objective comes first is very important. By being consistent, Neiman-Marcus has earned a position of respect, and, I think, affection."

Stanley Marcus knew how to take advantage of Dallas' growth in wealth and power. It has been said he was to merchandise what P.T. Barnum was to circuses. As Dallas became one of the country's top three showcases of design, the oil rich, who had been joined by the electronics rich, the real estate rich, the insurance rich, the defense contract rich, and their families and friends shopped at Neiman-Marcus.

The 1983 Fall/Christmas catalog features a three-quarter length coat of natural Russian lynx, by James Galanos, for $125,000. Through the years, the catalog has become famous for its extremely expensive "his and her" items for conspicuous consumers. Such items included Jaguars (his a car, hers a coat), a full-scale replica of Noah's ark, built to the biblical specifications, and other such items in the realm of fantasy and the whimsical. But in the realm of reality and practicality, there are items, as in the 1983 catalog, for $12, $15 and $16. The catalog has also endeavored to add some wit, without being corny, that would make people smile as they looked through it.

Along this long, successful, and winding road, mistakes have been made, from failure in the early years to include any kind of order-form or envelope, to the offer of a pair of baby ostriches (the latter offer was attacked by conservationists and bird lovers, and the complaints were reported in the Washington Post and the wire services). Stanley Marcus writes, "As a perfectionist, I look through every catalog with a searching eye; I am still living for the day when I will see a perfect Neiman-Marcus catalog with no mistakes of taste, judgement, or production of any kind. I doubt if I shall live that long."

Neiman-Marcus has another lesson for direct marketers. Over the past years it has received more favorable and priceless publicity than any other department store mail-order organization. Its biggest public relations coup, by far and away, was "The Store," the two-hour documentary on Neiman-Marcus that appeared on Public Television, nationwide, in December 1983.

It should be noted that Neiman-Marcus mails its Christmas catalog in beautiful wrapping to 2,000 VIP's in the electronic and print media. And, albeit in a more limited way, is it not possible for other companies in direct marketing to receive free publicity when they serve the good of the community or the consuming public?

The 1983 catalog is by far the biggest ever produced by Neiman-Marcus. In 1984, the Dallas-based company is planning a more aggressive use of catalogs in the hopes of increasing its mail-order business, in line with the greater competitive environment. It also plans to expand its customer base and is testing a number of outside lists.

The final word on the Neiman-Marcus odyssey belongs to Stanley Marcus, Chairman Emeritus, "The great secret of Neiman-Marcus merchandising over the years has been its ability to provide both the finest expensive goods in the world and merchandise of equally good taste but moderately priced. This is exactly the technique that we applied to the catalog, and we encountered the same success there as we had with the stores."

Bloomingdale's by Mail

Bloomingdale's desire for profitable sales growth along with its plans for national expansion were the driving force for its entry into direct marketing at the end of the '70s. Four key elements for entering the business were in place for this famous department store: a nationally recognized name and reputation; a uniqueness with merchandise that had a point of view and fashion authority in a wide spectrum of products; a substantial list of credit card customers; and the necessary capital funding and positive corporate attitude at Federated Department Stores (its parent company) toward direct marketing.

After an initial period of experimentation, the direct marketing operation grew rapidly (according to Barry Marchessault, President of Bloomingdale's by Mail) as a result of the introduction of the following policies in 1979 and 1980: All new charge accounts were added to the mailing list, along with the best responding cells of regular cardholders; select groups of upper scale buyers were tested from compatible outside lists; the American Express card was introduced; an 800 toll-free number was started; outside services were used for the rental and exchange of lists with merge/purge functions and data storage.

In the first two years, it was in the direct-response business; orders were being filled from store inventories. In January, 1981, the decision to separate the inventory was prompted by the desire to set up, under the aegis of Bloomingdale's by Mail, Inc., the catalog as "a branch store" and separate profit center. Two years later, the separation process was further developed when the fulfillment responsibilities were awarded to Marke-Teehs, a subsidiary of Stuart Maguire Co. Their operation included order processing, credit card processing, shipping and telephone operations, using Bloomingdale's own in-house 800 number to enhance the level of personal service.

The Bloomingdale's by Mail strategic objective is to select—for middle to upper income urbane customers—merchandise that has highly perceived value with fashion authority, some of which is unique, and to offer it for sale via specialty catalogs. An estimated 30 catalogs were produced in-house in 1983, mailed to selected portions of a house list of about one million plus testing outside lists, both rental and exchange. In order to achieve long-term growth objectives, a space advertising program was undertaken in 1983 in magazines and newspapers with national exposure.

In addition to building the charge file and outside lists and expanding its space advertising program, Bloomingdale's is fine-tuning its database to assure a strong foundation for continued growth and profitability. It is carrying out segmented markets without trying to be all things to all people. It is zeroing in with a merchandise offer which is constant with the purchase behavior of the target audience, making for high levels of responses and appreciable return on investment. It values the primary market customer and aims to attract similar type individuals into the mail-order process. Its 30 catalogs cover a wide range of product categories, from fashion apparel to house furnishings, housewares, gifts, domestics, furniture, food, intimate apparel, jewelry, cosmetics, children's wear—anchored by the widely distributed and highly successful Christmas catalog.

The catalogs that have, traditionally, shown high test response to mail-order buyers and outside lists are mailed under the Bloomingdale's by Mail umbrella. Catalogs that are designed for store traffic are mailed to their charge file—and are frequently tested to cells of mail order buyers, in order to measure their response as potential direct marketing vehicles. In its program to go national, both store-wise and mail order-wise, an interesting fact has emerged, namely that 60-70 percent of catalog customers are from areas without Bloomingdale stores; the catalog enables the company to cultivate customers before a store opens in a new market.

Bloomingdale's by Mail tries to bring by mail, to the present and potential Bloomingdale's customers, the shopping experience that makes it a unique store. This experience, as Barry Marchessault has said "can be summed up in three words: fun, unique and theatrical." Its merchandise offering is trend-setting with high perceived value and a broad selection.

All of this is directed at the lifestyles of the core customer group. The in-store promotions lend themselves to *thematic* approaches for the various catalogs. The annual country promotions add excitement to the Fall Home Furnishings and Christmas catalogs. On-location photography from China, Ireland, and France, along with the unique products from these countries, bring to the catalog shopper the Bloomingdale's experience in the mail. Fun group vacations and fun products seem to be what the customer wants. Bloomingdale's endeavors to create a dramatic mood; its catalogs are innovative in layout, design, and photography and strive for excellence in state-of-the-art catalog creativity.

Bloomingdale's success to-date in its direct marketing, and the potential for profitability and growth in the future, rests on the following ingredients:

- A uniqueness with merchandise that has a point of view
- A financial commitment to the business
- Separate fulfillment with key customer service elements in place
- A customer acquisition approach that employs traditional methods along with new tested approaches
- An organizational structure that allows for a good symbiotic relationship with their store
- A sophisticated database that is segmenting customer preferences and a mailing strategy that compliments this segmentation
- State-of-the-art employment of the graphic arts to enhance the merchandise offering

Few department stores have the unique ingredients for success of a Neiman-Marcus or Bloomingdale's, but the fact is most department stores have the basic elements for a successful mail-order operation that can be quite profitable. That is why many stores are expanding their mail-order activities, while others are rapidly entering the field of mail order. A caveat is in order here because some retail merchants are slow to recognize the specific differences between a retail store and a catalog operation.

An Horatio Alger Heroine

The Lillian Vernon Corporation is one of the largest and most successful specialty catalog firms in the United States. It was founded by Lillian Vernon Katz in 1951 in an ad with a single offer of a monogrammed purse and belt. Thirty-three years later in 1983, it anticipates sales of over $100 million, will mail about 55 million catalogs in seven separate editions. The company has a list of 1.8 million active buyers accumulated within the last 12 months and a total of 3.6 million buyers in the last 24 months.

The basis for the success of this mail order company is that it specializes in products for women which help solve problems in running a comfortable home, and in elegant giftgiving. It lies in Mrs. Katz's exceptional talent for merchandising, and in selectivity, pricing, and photographing 3,000 items offered each year. Two-thirds of these products are imported, and many are customized and exclusive to Lillian Vernon. Thirty percent are personalized. They are offered at affordable prices. The indomitable Mrs. Katz travels 16 weeks a year searching for unique items, while her buyers are on the lookout for new products, scouring international trade-shows and foreign design markets. Products that solve problems are particularly favored—space organizers; entertaining aids; fuel savers; new gourmet tools.

The catalog is very much for a woman by a woman. Mrs. Katz says, "When I go out to buy, I look for things that will make life easier, more fun, a little more comfortable. I'm a woman, I give gifts, I run a house, I have parties . . . so I know the gifts women like to receive."

A special touch marks the 152 page, four-color digest-sized catalog mailed to 15 million customers and prospects. This is the 1983 Christmas catalog that displays a toy panda on the cover. The company will donate $1 to the World Wildlife Fund for every $15.98 panda sold. A special wrap-around cover calling special attention to the Wildlife donation is planned for separate mailing to the Fund's 100,000 active members. It is expected that tens of thousands of dollars will be raised for the Fund.

With such dedication and entrepreneurship, the company expects to ship 2.8 million orders in 1983 from automated facilities at three sites in Westchester County, New York.

Back to Texas Once More (Horchow Collection)

While he was part of the Neiman-Marcus Mail Order organization, Roger Horchow observed items that appeared to sell better in the catalog than in the retail store and vice-versa. He believed that a single purpose company, concentrating its efforts in one area, could be successful. He founded the Horchow Collection in Dallas in 1971, and, twelve years later, he had built a house list of a million and a half names, of whom 650-700,000 are active customers. The profile of the average customer is female, 48 years old, income of $50,000. She wants unique items. She has time to shop for them, but prefers the convenience of mail order. The catalog is characterized by a clearness of line and a format understatement which exude a quiet luxury and fine quality. A delicate enamel-on-copper desk set, for example, is listed for $350. However 30 percent of the merchandise in any one catalog is less than $30.00. Horchow tracks information on customer buying and has used this to produce three new special catalogs in 1982 for "Fine Linens," "Practicalities (practical items)," and "Another Perspective."

In 1983, Horchow plans to make a special offering only to their best customers. The problem is to refine the offering and still get a list big enough to offset the high cost of producing the catalog. It plans to continue its Horchow VIP Registered memberships at a $10 annual fee, with savings off initial charge and other membership benefits. This includes a two-color, eight page, bi-monthly newsletter, which previews catalog items with illustrations and discusses the superiority and practicality of specific luxury products and services. Other membership benefits are free gift-wrapping services and a personal shopper (by name) when members order on the toll-free line.

Mail-Order Entrepreneurship—Hanover House

Hanover House started in 1934 as a single retail dress shop in Hanover, Pennsylvania. The idea was to sell middle- to low-price goods in a bargain atmosphere. Over the next 10 years, the chain expanded to about two dozen stores in Pennsylvania and Maryland. Newspaper advertising to promote retail merchandise led naturally into mail-order advertising. By 1946, mail-order sales were far in excess of retail volume. The next logical expansion was to start a catalog. This happened in 1950 when "Lana Lobell" was mailed for the first time to space media buyers. The catalog was an instant success, and it expanded rapidly during the 1950s.

In 1962, a second catalog was launched, "Hanover House." This catalog, a collection of household gadgets and novelty items, also proved to be highly profitable. At the time, it was a major diversification for the company, since almost all of its prior expansion had been centered in women's fashions. In 1968, the company entered the garden nursery field with the purchase of Lakeland Nurseries. In 1972, the first step was taken in the high ticket market with the development of the Adam York catalog.

The company took a new direction when Harold Schwartz was promoted to President in 1977. The retail stores which had given birth to Hanover House were closed, since they were no longer profitable. The company had sales of about $30,000,000, was operating at about break-even, and was mailing four different catalogs—Lana Lobell, Hanover House, Lakeland Nurseries and Adam York. Total catalog circulation was thirty million per year. Management sensed that Hanover House's future strength would rest on two pillars; further diversification to assure that overhead levels would not stifle the growth of individual catalog divisions, and further expansion in the high ticket market, to assure that inflationary pressures could be offset by higher revenue.

This twin philosophy resulted in the addition of 22 new catalog divisions over the following six years. These divisions include: Old Village Shop—medium-priced household items, gifts, fashions; Pennsylvania Station—higher-ticket fashions, gifts; New Hampton Americana, cookware, collectibles; Hall of Hanover—high-ticket fashion and gifts; Fashion Galaxy—lower-price fashions; Premiere Editions—fashions for the career woman; Chelsea Collection—chic higher-priced fashion and shoes; Tapestry—decorator items, furniture, domestics; Mature Wisdom—special items for senior citizens; Rainbow Gifts—medium-ticket novelty and household items; Synchronics—state-of-the-art electronics; Imprints—high-ticket shoes; Cosmopedic Shoes—low-ticket shoes; Luxe—a collection of the finest from around the world; Flagstone—men's footwear; Night 'N Day Intimates—intimate apparel; and Hanover Collection (mini-catalog). The creation of these mini-catalogs in the millions in 1983 is a new departure. These 16-page catalogs are being used in cooperative mail and direct response, in package inserts, and outgoing Hanover House packages. Two editions have been published: a modest priced catalog and a woman's fashion catalog.

The 22 catalog divisions, which the company now operates, mailed 200 million books in 1983, and have a total customer mailing list of about 10,000,000 names. Sales for 1983 were $215,000,000.

At the same time that the company expanded its catalog division, it also became a major space media advertiser. The catalogs functioned both as profit makers and sources of product information for space media. The space media, in turn, acted as a source of profit and had the additional benefit of supplying customer names who could subsequently be promoted with the company's various catalogs. The strategy of diversification, combined with a sense of entrepreneurship, permeated not only the marketing segment of the organization, but also the operations, financial, and computer segments as well.

The company's strategy now encompasses a sophisticated database which enables it to be selective in promotions to its customers and also aids in developing special knowledge of customer's needs. One of the reasons the company has been able to implement its multi-division strategy has been its ability to segment customers based on product choice. For example, *Synchronics*, an electronics catalog, was started by segmenting customers who purchased electronic items in one or more of the other divisions.

Looking ahead to 1984, the company plans to continue with the expansion of several new catalogs encompassing fashion, hard goods and giftware items. It not only expects to expand traditional catalog markets but, also, to be getting more involved with direct mail, syndication, and telemarketing—and, coming back full circle to where it began, the company plans to get started again in retail! The management of Hanover House believes it has not approached saturation in either existing divisions or in other markets which it considers to be emergent.

If there is a lesson to be learned from the success of Hanover House during Harold Schwartz' presidency, it is in its vigorous entrepreneurial spirit and masterful use of its database for segmenting the market—as well as its vigorous effort to upgrade its fulfillment and customer service operations.

The Sharper Image

Richard Thalheimer is another Horatio Alger success story, parlaying a $100 mail-order ad into a $60-million catalog business in just six years. The first "The Sharper Image" catalog exhibited his special talent for selling fascinating, and sometimes obscure, products with lively, intelligent, and informative copy. The catalog featured suits of 15th century armor at $2,450, space age cross bars at $400, and handcrafted knives and electronic games and gadgets in the $50 to $250 range. The catalog took off like a rocket, and its burgeoning sales in 1982 lifted it to the 15th position among *Inc.* magazine's list of the 500 fastest-growing private companies in America. Its sales in 1983 are expected to reach about $60 million.

In 1982, with a catalog circulation of over 20 million, Thalheimer broadened his horizon of the company and launched the first segment of "The Living Catalog" on cable TV in the San Francisco Bay area. The cable show has evolved, in the past 18 months, into a fast-paced, quick-changing presentation of fewer products set in actual use—often in remote location settings, with live demonstrations. Original music computer animation, a high graphic style, a custom logo, and different sets and scenery have been added in the show's evolution, which reaches into 600 cable communities. Mr. Thalheimer defines the nature of "The Living Catalog" show as follows: "Ours is a home shopping show. It's not just a compendium of direct response commercials . . . ours is the only show I know of produced by one direct-response company that's totally devoted to selling products and providing a half hour of entertainment." Their goal is to increase annual sales on cable TV in the next few years, while continuing to experiment and test new formats.

In 1982, Sharper Image spent $500,000 in space advertising in such periodicals as *Inc.*, *Sailing*, *Sports Illustrated*, *New York Times Magazine*, *Wall Street Journal*, and numerous in-flight magazines. These ads were aimed at the affluent buyer—80 percent male, between the ages of 27 and 55, with a median income of more than $35,000. The key to success at "The Sharper Image" is Richard Thalheimer's uncanny knack for anticipating trends and capitalizing on the penchant many executives have for buying expensive gadgetry or "adult toys."

There is a large body of consumers who are quick to buy the latest thing. These people have been called "early adapters," "innovators," "buffs," and "conspicuous consumers." An item that some experts expect to become "the appliance of the '80s" is the home computer, which in 1983 could already be found in 5 percent of the nation's 84 million households. Informative and effective marketing are the keys to this very rapid growth. At the same time, the company is expanding its mail order operation to a focus on offering products to women, somewhat similar to its men's product level, but of particular interest to women. The total distribution of all catalogs is estimated at 50 million in 1983.

Edmund Scientific Company

One of the recurring themes of the history of mail order, which expresses itself in a number of ways, is the Horatio Alger story of success. This is particularly true of Edmund Scientific Company, founded in 1942 by Norman W. Edmund, from a cardtable desk in a bedroom. Today, the company has expanded to a building occupying 78,000 square feet, including the most recent addition, a facility for optical design and telescope production. Norman W. Edmund was an amateur photographer who needed a special lens. After locating ten of them, he placed a $9 magazine classified ad to sell the other nine. That's how it all started.

In 1951, the company's name was changed from Edmund Salvage to its present name. The steady growth and success of the company is seen in the distribution in 1983 of eight million catalogs, with estimated sales of over $13 million. In addition to its basic catalog to consumers under the name of Edmund Scientific, the company issues a catalog for industry and for education; and the Robert Edmund Catalog, featuring products for health, fitness and better living, which was first published in March 1982, and is geared toward the interests of a wide selection of consumers. A new book focused toward women, published in late 1983, is the Gwynne Edmund Catalog.

Seventy percent of its business is in the consumer area and 30 percent in business and industrial. The company offers 4,000 science-related items in its catalogs. This includes: telescopes (and the popular Astroscan 2001 fiber-optics telescope), products in alternate energy, photography, biofeedback, weather monitoring and lab equipment, microscopes, tools and educational kits for pre-school children, and science fun. Prices range from a few dollars to $2,000-$3,000 for larger telescopes and equipment. The average customer is said to be "a hobbyist with a strong engineering aptitude, a person seeking knowledge, a tinkerer." The innovativeness and quality of its products have enabled it to broaden the base of its market to consumers, industry, schools, and retailers. Among its customers are science fiction writers, Isaac Asimov and Arthur C. Clarke, and such companies as J C Penney, Montgomery Ward, Neiman-Marcus, and others.

Since his election to president of the company, Robert Edmund, son of the founder, has further expanded the laboratory, engineering, manufacturing, marketing, and fulfillment facilities of the company. Its reputation as a science-related mail-order company of high standards has been advanced. Among the many accomplishments are Edmund's Barlow lens which went to the moon on the Apollo lunar flights. Without that lens, the spectacular television coverage would not have been possible. And Edmund's Mini-Moon, because of its authenticity, was cast in aluminum, placed on a plaque in relief bronze, and presented to the astronaut corps at the White House. Edmund Scientific has earned a reputation as an innovator, a sound researcher, and ready source for science-related products. It is expected to conduct an experiment in space on an upcoming NASA Space Shuttle Flight.

This family-run business remains a haven for countless amateur astronomers. Its one retail store at company headquarters is a place for day trips for local schools and family groups. The store offers free multi-media shows daily in its theatre as well as lectures, astronomy mini-courses and product demonstrations. The company sponsors the Norman W. Edmund Astronomy Award which recognizes the outstanding contributions of the hundreds of amateur astronomy groups.

Editorial Matter in Catalogs

An increasing trend in specialty catalogs is the inclusion of editorial matter that reflects the lifestyle of the customer, while promoting the merchandise. This is seen in the Shopsmith hardware catalog which includes introductory copy for every section. "We are committed to customers' education on which tools to use and how to use them," says a company executive. Shopsmith (Vandalia, Ohio) has a customer list of 3 million and publishes three catalogs a year. Williams-Sonoma of San Francisco is another fine example of the use of editorial and informational material. The personal stamp of founder Chuck Williams is present throughout the catalog, featuring gourmet cooking items, primarily for serious cooks. It appeals to the broad, upper-middle class market. Recipes appear everywhere, with Mr. Williams involved in setting off the gustatory delights. He tests and sometimes creates the recipes that accompany some orders. Mr. Williams started in the 1950s by stocking a few cooking utensils in his hardware store. Sales in fiscal '83 were in the range of $35 million. The company is expected to have 17 retail outlets operating by the end of 1983.

A Major Corporation Enters Mail-Order Field—Avon Fashions

Avon Fashions was started as Avon Family Fashions in 1973 by Avon Products. It has become one of the few success stories of a mail-order company starting from scratch by a large corporation. It grew to a sales level of $36,000,000 in 1978, and to $124,000,000 in 1982. In that year, Avon Fashions had an operating profit of $18,000,000. In 1983, the company had eight catalogs ranging in size from 48 pages to 84 pages with a total circulation in excess of 70 million copies. Strong sales and operating profit growth are expected in 1983.

Success didn't come quickly or easily. In its first few years, Avon Fashions was making mistakes as it was experimenting and losing money. Fortunately, senior management of Avon Products stuck with the mail-order company confident that the concept was right. It took only eight years for the concept to turn into the fifth largest mail-order woman's clothing company in the U.S., joining such bulwarks as Sears and J C Penney. 1978 was the turn-around year, and, in the five years since then, Avon Fashions has grown 162 percent.

The two main reasons for this success have been the accurate targeting of customers and an improved product line. The typical Avon Fashions customer is a young, working woman with a moderate household income. She's between 18 and 34 years. Furthermore, careful research has shown that she may be a nurse, bank teller, a teacher, a secretary, or a student. She wants up-to-date styles that are affordable and of good quality. The company is addressing this market specifically. It signaled this special attention by changing its name from Family Fashions and has made considerable strides in improving its product line and appeal. It, also, has overcome some of the errors in the first years. Now, the styling, construction, fabric, and detailing of their apparel match those of brand names. Customers revealed in a survey that they preferred to shop the Avon label, because they knew they were getting good prices and quality combined. The Avon guarantee also helps. "You can return the product anytime, anyplace."

The Avon Fashions Catalog sells clothing ranging from $8 to $55. Product lines consist of sportswear (jeans, pants, tops, coordinates), dresses, swimwear, accessories (shoes, belts), lingerie, and outerwear. The biggest line, dresses, contributes 17 percent to sales. One dress, in particular, brought in three million dollars in sales. It is the single most successful dress Avon Fashions has offered, selling 180,000 of this particular $9 knit sports dress.

To constantly expand its customer base, the company rents names of mail order buyers that fit its target market. It buys other names of professionals, such as teachers and secretaries. Another way of adding prospective customers involves the use of extra catalogs or bouncebacks, that accompany customers' orders. "Give one to a friend," Avon Fashions suggests. Not everyone of the more than five million customers get all the catalogs issued. Those go only to the most active customers who number over 3.5 million. A separate facility in Newport News, Virginia processes these orders, ships them out, and keeps inventory control. Data processing and finance departments are also located there.

The direct mail division of Avon Products consists not only of Avon Fashions but *James River Traders*, an upscale men's ready-to-wear catalog; Avon Fashions—United Kingdom, which is the expansion of the U.S. company into international markets; a new children's wear catalog that will mail in early 1984; and Great American Magazines, Inc., a magazine subscription selling company. The direct-mail division plans to continue to expand not only through the aggressive growth of the above mentioned companies, but also with additional start-ups and acquisitions.

More Apparel Mail Order

Lew Magram Fashions

Lew Magram started his business in 1949 as a counter in a store in New York's theatre district, selling high-fashion shirts. When the store next door became vacant, he moved in, and gradually his shirts attracted many personalities, in the theatre, movies, television, and sport's world, as well as a host of Damon Runyon types. In 1959, the company issued its first sales pieces . . . its first catalog appeared in 1964. Lew Magram's "Shirtmaker To The Stars" catalog was well received, and the company prospered until 1979. Its line of mainly high-fashion men's apparel also included suits, sport jackets, and a fairly wide selection of other apparel and accessories. Its growth was aided by a campaign of small ads in a number of selected magazines, including *Esquire*, *Gentlemans Quarterly*, and *Playboy*.

In 1971, son Erv joined the business and, at the end of the '70s, daughter Melanie came aboard. In 1982, Erv became president as founder Lew stepped down from active, full leadership of the company. The decline in sales for high fashion men's clothing at the end of the '70s led the company, now known as Lew Magram Fashions, to test some women's apparel items for their Spring 1981 catalog. This proved highly successful, and today 75 percent of the catalog consists of women's apparel. The average order is over $100, a substantial improvement over past years, and total sales are moving toward ten million dollars. Five million catalogs were mailed in 1983, and plans are underway to test new space ads, as well as outside lists to enlarge its customer base.

Van Heusen

Van Heusen Corporate Markets Co., a division of the Van Heusen Company, the well known shirt and apparel manufacturer, was responsible for all special markets except retail. This included premiums, incentives, and career apparel, and, as of 1980, mail order. It began with ads for its aviator shirt in the *New York Times*, *The Wall Street Journal*, *The New Yorker*, and *Flying Magazine*. This first effort was immediately profitable, and, contrary to many mail order start-ups, continued to be steadily profitable in its first years. In 1981, the company continued its space ads while making its first direct-mail effort with a multi-fold brochure promoting a dozen shirts, including the safari shirt.

These efforts were also successful. Its first catalog, produced in 1982 under the name of "Baker Street Collection," was 16 pages, digest size. It included not only men's shirts, but also some ladies' shirts. In 1983, it expanded into a 32-page catalog, with additional ladies' shirts, plus gifts and accessories such as ties, gloves, scarves, and jewelry. Three million catalogs were distributed that year. Based on considerable market research, it plans a large size catalog 9½" × 11" in early 1984, which will add blazers, slacks, and sweaters for men and women. It expects to sustain its steady growth and profitability while increasing its customer base. The parent company and its mail-order division have come a long way, since its founder, Moses Phillips, started soliciting orders at the coal mine in Pottsville, Pennsylvania in 1857, while his wife made the shirts at home for the coal miners.

Too Many Mail-Order Apparel Catalogs?

We are witnessing a ceaseless proliferation of companies that are expanding the number of catalogs in the field of men's and/or women's wear, as well as new companies entering this product area. The volume of catalog mail in this sector seems to be increasing exponentially. This is true of the specialty catalogs, department and specialty retail store catalogs, and, to a certain extent, among the Big Four merchandisers. It is, also, illustrated by New Process, the giant apparel firm, with $250,000,000 in annual sales, mainly using solo direct mail. In 1983, the company published its first full-scale catalog of 68 pages, offering a standard line of apparel, bath accessories, drapery, and home decor lines.

The question arises: is there a glut in mail-order apparel? Is the market expanding fast enough to match the rate of catalog proliferation? Only time will tell. In the interim, those companies that use their database effectively and efficiently, to carve out a market niche of satisfied customers, will have the inside track.

Gourmet and Gift-Food by Mail

The mail-order gourmet and gift food market continues to operate on both the consumer and business front. It is estimated that as many as 500 different food products are available by mail.

To name a few of these gourmet and gift food products: for cooks, there are herbs, balsamic vinegar, olive oil, sun-dried tomatoes, fresh pasta; from the sea, there are smoked salmon, seafood. There are a variety of cheeses and snacks, sweets, and baked goods, and breakfast items. Thanks to speedy package delivery services now available, plus new ways to keep perishable foods from spoiling, it is possible to have the sweet, succulent lobsters caught off the Maine coast on Monday in Texas on Tuesday; creamy, old-fashioned New York-style cheesecake in California overnight, or fresh basil from Michigan all winter long.

Omaha Steaks International, Figi, Harry and David, Pfaelzer, Swiss Colony, to name a few, are not only developing new products with more effective and dramatic packagings; they are increasingly using sound forms of synergism in their media approach.

Omaha Steaks International

Omaha Steaks International is an example of this trend. This involves the greater use of telemarketing in their operation, in such a way that the telephone is positioned and integrated into a comprehensive marketing plan backed by top management. The telephone supports direct-mail promotions through outwats and inwats: space programs through inwats and lead follow-up programs through outwats. In this way, a synergism between mail and phone develops in reaching its customers. Mailings reach active customers every eight to ten weeks. Meanwhile, a steady cycle of outwats calls keeps the company in touch with these customers on a more personal basis. The primary advantage of the telephone in concert with mail is that it enables Omaha Steaks to sell more products to their existing customers. Finally, telemarketing makes it feasible to test new products, to offer a more diverse line of products, to upgrade the size of orders, to offer special products, and to vastly speedup the ordering-to-fulfillment cycle. In this connection *Telemarketing Magazine*, September 1983, states, "the direct marketing trend today is direct mail with telephone follow-up. Most direct mail is timed to supplement mass media advertising—radio, TV, magazine—and is designed to get a direct response from a carefully selected consumer market." The first brochure mailing by Omaha Steaks was in 1952. In fiscal 1983, sales were $27 million.

Thomas J. Lipton, Inc.

A recent addition to the gourmet food mail order field for gifts and for personal use is Thomas J. Lipton, Inc. (a division of Unilever, Inc.). After considerable focus and other research during 1981, the company launched a "dummy" catalog in early 1982 of specialty tea items, which was sent to three cells of 50 families. The results were auspicious, and, during the Fall of that year, a test mailing was made of over 250,000, 16-page, 4-color catalogs. About the same time, test space ads were placed in such magazines as *Ladies Home Journal*, *New Yorker*, *Vogue* and *Gourmet*. These tests were encouraging. In the Spring of 1983, space ads were continued and proved to be successful. The target market was upscale consumers with an interest in true gourmet foods and products.

In the Fall of 1983, one million copies of the Thomas Lipton Collection were printed, 32 pages, 4-color, digest size. In addition to specialty teas, both bag and leaf, there were foods that are associated with tea drinking, such as fruit cake, shortbread, pure fruit preserves, and honey. Also offered were tea accessories such as bone china cups, copper tea pots, and sterling silver tea services. All the fine and rare teas are collected and packaged by Lipton. The other products are supplied by outside manufacturers. The catalog contains recipes for scones, tea sandwiches, and brewing instructions.

While the Lipton catalog has one foot firmly placed in the traditions of the past, its auspicious start-up has encouraged the company to roll out a few million catalogs in 1984. It hopes to follow the success of other larger companies, in which mail order has become a significant part of the corporate management structure.

Catalog Request Ads

During the past years, there has been an increased diversity in the use of mail-order advertising. This was true particularly in the area of mini- and regular-catalog inserts in magazines, as well as "classified" catalog request ads in periodicals. One example is the 88 page ad agreement between Waldenbooks and *Newsweek* in 1983. This the largest single contract of its type in *Newsweek* history, amounting to $3,000,000. The agreement calls for six multi-page mini-catalog inserts from eight to 37 pages between August 1983 and January 1984. The 37 page insert appeared in the November issue, at the peak of the holiday season. All the catalogs have toll-free numbers, and some will have order forms. Advertising costs are paid, in part, by participating publishers. The nation-wide book chain will also mail these catalogs to in-house mail order buyers, and approximately 1.4 million copies will be distributed in the chain's 820 stores in all 50 states.

Similar type campaigns were run in *Newsweek* in 1982 and in *Time* in 1981. In early 1983, an 11-page catalog was run in *The Economist*. The campaigns had a positive and lasting effect on boosting retail and mail-order sales. They also helped to build a customer list.

The company is engaged in a number of other direct-mail projects including Prepublication Club and other books clubs, as well as promotion of its education and motivation tapes.

The November 21, 1983 issue of *People* included a 40 page catalog insert from B. Dalton Booksellers, the nationwide bookstore chain, called "Hooked on Books." This is the centerpiece of Dalton's Christmas advertising campaign. It is the largest single issue ad in the magazine's nine-year history. It is reported to be the largest insert in a single issue of a consumer magazine. The ad will promote 180 books, six books to a page. Cost to participating publishers is $8,595 for one-sixth of a page. An 800 phone number is included in the ad.

The company with its 700 stores, primarily in shopping malls, uses a variety of other direct-response techniques. Dalton mails a booklet containing various discount offers, premiums, and a sweepstakes program. This is carefully done for loss-leader books. Tear-offs are also used which are only redeemable in-store. Dalton runs ads in newspapers with a wide reach, and occasionally does off-price promotions to bring in new customers. Dalton placed a 20 page computer catalog in *Scientific American* and a four-page mini-catalog in *Softalk* magazine—all with 800 toll-free numbers.

During 1983 a Women's Fashion Cooperative Catalog Program appeared as a full page spread in *Vogue*, *Glamour*, *Harper's Bazaar*, *Cosmopolitan*, and *Mademoiselle*, converting inquiries ($1 to $5 for a catalog) to orders of four percent. Catalogers included Neiman-Marcus, Bloomingdale's, Bergdorf Goodman, Spiegels, Garfinckel's, I. Magnin, Royal Silk, and others. Later editions went to a two-page spread appearing in *Smithsonian*, *Esquire* and the *New York Times*. This program—*Catalog USA*—was introduced by Fairfax, Inc., a subsidiary of Compton Advertising.

The catalog request field expanded considerably during 1983 in space advertising. The Fall of 1983 found few magazines that weren't starting a new section or enlarging an old one in preparation for the Christmas gift-buying season. These include such periodicals as the *New York Times* Sunday Magazine Section, *Penthouse*, *Omni*, *Country Living* and *Architectural Digest*, with new sections, and *Time*, *Newsweek*, *Town and Country*, *The Wall Street Journal*, *The Atlantic Monthly*, *Working Woman*, *Ms.*, and *New York*, all of which have had sections previously.

Spiegel spent an estimated $50,000 on these insertions in the Fall of 1983. Catalog executives, generally, report the sections are highly visible, and the appeal associated with the magazine tends to rub off on the catalog. One of the longest running catalog sections is the *Better Homes and Gardens* section, which began in 1973. What distinguishes this page-spread is that it is in color, it is for free, and requests go directly to the catalog companies whose addresses are listed in the ads. In the past year, *Better Homes and Gardens* added a new specialty catalog page titled, "America's Finest Store Catalogs." Among the advertisers were Neiman-Marcus and Marshall Field.

It is obvious that there is no uniformity of techniques or results in the catalog request field. The jury is still out on the conversion rate and the back-end results. But there is already sufficient evidence to indicate that selection of the proper magazine, the compatibility of the other advertising, and reasonable cost factors auger well for the future growth of catalog inserts as well as catalog sections. These are sometimes called catalog samplers, catalog directories, catalog requests, and, even, catalog of catalogs.

Proliferation of Markets— 1940s–1970s

The steady proliferation of markets during the three decades that followed World War II was paralleled by the enhanced ability of the computer to zero in on particular groups of consumers, who were seeking products that met their specific expectations and interests. This accounts for the enormous growth in the variety and quantity of specialized catalogs (as well as, for that matter, special interest magazines and the emerging "narrowcasting"). Even during the inflationary and uncertain economy of 1979-1980, numerous, well-managed specialty catalogs were expanding over virtually the whole gamut of products and services (except for some low-end products), while the rate of growth of Sears, Ward, and Penney had slowed down.

From Horchow's exquisite gifts, housewares, and fashions and Lillian Vernon's personalized home items and accessories (some as low as $5 and $10), to Eddie Bauer's outdoor sportswear and equipment and Yield House's Colonial pine furniture, to the growth of Garden Way's sales of garden equipment and supplies, literally thousands of specific and segmented consumer-markets were responding to mail-order appeals. New companies were entering the mail-order field, and the range of products in style, price and country of origin was growing. For a lover of African violets or Swiss music boxes, a large-sized man or woman seeking proper apparel, a devotee of collectibles or gourmet food, for the inlaid Serbian chess sets and Portuguese Madeira—all were easily available via mail order.

So were medium- and high-priced items from the Metropolitan Museum of Art and from Lincoln Center, from Bloomingdale's Chinese collection to Gucci watches and Sony stereos, each from American Express, to Neiman-Marcus' His and Her gifts and Sakowitz' Ultimate Gifts. In a short period Franklin Mint's deluxe edition of "The World's 100 Greatest Books" had over $100,000,000 in front-end sales by direct mail. By the end of the '70s, a wide variety of miniaturized electronic, space age, and new technology items and accessories were available via arm-chair shopping. In March 1976, *Apartment Life* Magazine displayed in a special section how an entire apartment of 100 pieces of furniture, furnishings, housewares, and appliances could be supplied entirely via mail order.

Consumer Attitudes

Consumers Union has made a comprehensive and objective survey of mail-order buying. The results of this survey are reported in its magazine, *Consumer Reports*, October 1983. After a brief review of the changing technological and sociological factors that have influenced and expanded mail order buying, the report states: "Technology hasn't solved some of the basic problems of buying by mail. The transaction made at a distance is inherently riskier than the transaction conducted in person. You're buying something that you haven't seen or touched, and then you have to wait for it to arrive. Will it be what you thought it would be from the catalog description? Will it get to you on time, or at all? If it doesn't fit or doesn't suit, will you get a refund or replacement promptly?

"Those were some of the problems we probed in the survey on mail-order buying that was included in our

1982 Annual Questionnaire. Nearly 100,000 subscribers told us about some 170,000 recent experiences with more than 40 of the leading mail-order companies.

"In general, the readers who responded to our survey were quite happy with shopping by mail. They said they were satisfied or very satisfied with about 90 percent of their mail-order purchases. That's not terribly surprising—after all, a mail-order company that doesn't satisfy most of its customers won't stay in business very long. In fact, two companies that received poor marks from our readers have since gone out of business.

"An analysis of the responses, however, revealed that some companies satisfied our survey respondents far more than others. Generally, the companies that were most satisfactory delivered quickly, sent no surprises, and created the fewest problems for buyers.

"The companies that earned our top rating received a 'very satisfied' vote from more than 70 percent of readers ordering from them. In this group were Eddie Bauer, L.L. Bean, and Brookstone, among others. By comparison, only 44 percent or less of those ordering from the worst-rated companies said they were that happy, although most of the remaining buyers said they were 'satisfied.' " Exhibits 1-1 and 1-2 present findings on some specific consumer attitudes to mail order.

Exhibit 1-1
Types and Frequency of Mail Order Problems

Problem	Percentage[1]
Late delivery	48%
Wrong item delivered	22
Item broken or damaged	19
Billing problem	15
Item missing without notice	14
Difficulty returning merchandise	10

[1] Total is more than 100% because more than one problem could be checked.

Source: © 1983 by Consumers Union of the United States, Inc., Mount Vernon, NY 10553. Reproduced by permission from *Consumer Reports*, October 1983.

Exhibit 1-2
Advantages & Disadvantages of Mail-Order Shopping

What is the Main Reason You Buy from These Companies?

Reason	Percentage
Merchandise not available elsewhere	32%
Convenience	31
High-quality merchandise	19
Low prices	14
Good return policy	3

What is the Major Disadvantage of Mail-Order Buying?

Disadvantage	Percentage
Can't see merchandise in advance	60%
Have to wait for merchandise	13
Postage and handling costs	13
Difficult to return merchandise	9
Difficult to comparison shop	5

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Dreams That Money Can Buy

Undoubtedly, catalogs contain the dreams that money can buy, treasuries of hopes, and wishes. Mail-order buyers run the entire gamut of the population, including farmers, small town and urban folk, blue collar, and white collar workers, professional and middle class men and women, young people and senior citizens, as well as small, medium, and big business. Mail order buyers comprise a roster of America's Who's Who in every field of endeavor. This includes, for example, Burt Reynolds, the self-styled "catalog buff of the world," Liza Minelli and Natalie Cole, Robert Redford and the late John Wayne, the Kennedys, the Rockefellers and the late Hubert Humphrey, Nancy Reagan, and the late Princess Grace, Malcolm Forbes, Gloria Steinem and Julia Child.

An article in *Ms.* magazine May 1982, sums up "The Joys of Shopping by Mail." "Whether you're assembling a utilitarian work wardrobe, bringing some excitement to your one-horse town, or sampling the sybaritic delights only money can buy, when you shop by mail, the world is your oyster, and the store opens and closes strictly at your convenience." Another article in *Spring* magazine (which ceased publication at the end of 1983), entitled "Mail-order Mystique" sagely concludes: "All the stuff in all the catalogs cannot bring you happiness, of course. But the best catalogs fit their select audiences just as right and as intimately as a key fits its lock, and, for a moment, all your best plans and dreams for yourself seem to alight on earth, just within reach."

In a high-cost energy society, when time and convenience are of the essence, it is inevitable that catalog shopping has become more popular and widespread—and for mail-order companies, more profitable. That is why 100 of the Fortune 500 are now engaged in direct marketing. This is taking place in a number of ways. Some large corporations are launching their own subsidiaries; e.g., American Express, Johnson & Johnson, Time, Avon, Xerox, etc. Others are in direct marketing by acquisition; e.g., American Can/Fingerhut and Figi; General Mills/Eddie Bauer, MCA/Spencer Gifts; etc. At the same time, small and large entrepreneurship continues successfully without abatement; e.g., L.L. Bean, Lillian Vernon, Roger Horchow, and thousands of others.

A Caveat

At this point in our direct marketing odyssey, a caveat is in order. While the prospects for the growth of direct marketing are auspicious, there are dangers that lie ahead. One immediate threat comes from those companies who perpetrate fraud and deception, or engage in direct-response advertising that is misleading or filled with hyperbole. While this nefarious activity involves a very small percentage of direct-marketing companies, their impact is widespread and adversely affects millions of consumers. The noted direct-marketing professional, Martin Baier comments on this matter in his splendid book, *Elements of Direct Marketing*, . . . "Direct marketing professionals . . . must conduct themselves and their affairs in an efficient, ethical and socially desirable manner." This admonition should be uppermost in our minds as we strive to combat the malefactors.

There are countless fly-by-night post office box mail-order schemes. According to the chief USPS crime fighter, the nation's elderly are particularly vulnerable to these frauds and schemes perpetrated through the mail. The most prevalent schemes targeted at older people are land sales, work-at-home "deals," insurance frauds, worthless, and sometimes, even dangerous, medical "cures," and get-rich-quick programs. Chain letter scams are a widespread form of deception and Congressman Claude Pepper in his 54-page report, as outgoing chairman of the House Select Committee on Aging, reminds us that some of those, barred from running mail-order schemes through the mail, keep operating by using toll-free telephone numbers.

The New York Times (January 17, 1981) estimated that there were 10,000 so-called "mail-order pastors." The Better Business Bureau reported that, in 1980, it received 1,500,000 complaints for non-delivery, delayed or damaged delivery of mail-order products ordered in the United States. This was 20.5 percent of all complaints received, putting mail order way out in front of this dubious category.

These activities and many others, as well as certain recent bankruptcies of a questionable nature, cast a wide pall of distrust among consumers. This can only harm the entire direct-marketing industry and invite restrictive legislation and regulation. A Lou Harris poll in 1983 found that 60 percent of the public said that government doesn't do enough to protect them from companies that fail to live up to their advertising claims. We direct marketers can do no better than to live by the definition in the 14th edition of the Encyclopaedia Britannica (1956): "Advertising is the process of disseminating information for commercial purposes." According to John Cavanaugh, of DMA, almost all troubles start with consumer complaints. He blamed junk products, junk services, and junk treatment of consumers as root causes of this serious problem perpetrated by a relatively small number of companies. Each of us in direct marketing has an obligation to help self-regulate our industry and help to implement DMA's Code of Ethical Business Practices.

At the same time, the increase in bad debts through cheating and fraud, as well as a result of massive unemployment during the recent recession, has led direct marketers to tighten credit controls. One interesting aspect of this was the formation in 1983 of the profit-oriented catalog cooperative called the Direct Marketing Guaranty Trust. With the aid of sophisticated computer programs and a clearinghouse technique designed by Tim Litle, the Trust is able to screen millions of orders, make elaborate comparisons, and detect patterns no single mail-order company or direct marketer could spot.

Business-to-Business Direct Response

Business-to-business direct mail and mail order continued to expand in the mid '70s as the cost of energy and sales calls escalated. A vast array of equipment, machines, parts and accessories are now distributed directly via catalogs and other means without the intervention of intermediaries. The largest specialized mail-order segments are general office supplies and equipment, trade publication subscriptions, and professional subscription products. Direct mail continues to play a major role in business-to-business direct marketing. It helps in augmenting the sales force, reducing the cost of selling, pre-selling before the sales call, controlling sales and distribution, providing qualified leads, identifying prime prospects, testing products and markets, and achieving direct sales.

The intensified competitive nature of American business over the past few years, both domestically and worldwide, has brought about the beginning of an increased recognition of the value and need for the direct-marketing process as part of the overall marketing policies and operations. Some large and smaller companies are using their database of customers and prime prospects as a strategic and tactical tool in more specific and relevant advertising, promotion, and selling. The database becomes an information source to reduce the cost of a sales call, improve its market position, and maintain regular contact with its customers and prime prospects.

Business-to-Business Telemarketing

While direct mail continues to be the main advertising medium used in business-to-business direct response, telemarketing is expanding by leaps and bounds. It is estimated that business-to-business telemarketing accounted for $10 billion in sales in 1981. The complexities of this market makes it different in many respects from the consumer market because of its size, buying influences, complex selling channels, and monetary value of sale. This calls for a most professional and skillful use of direct-response advertising. For many businesses, telemarketing uses advanced telecommunications technology as part of a marketing program. It uses management information systems and emphasizes the use of personal selling skills to help companies keep in close contact with their customers. Telemarketing in business-to-business direct marketing is used to take and handle orders, qualify leads, disseminate product information, provide effective customer services. It is also being used to target and expand the market, acquire fast feedback, and to speed fulfillment. It functions to balance the advantage of high technology and the techniques of direct marketing with the warmth of human contact to achieve desired results. The importance of this needs emphasis.

Direct Marketing the New Technologies

Digital technology—the movement of information in on-and-off pulses rather than in continuous waves—is the language by which computers communicate, the language of the Information Age. It is capable of handling information in whatever form customers desire—voice, data, graphics or video. AT&T Advanced Information Systems has allocated $45 million during the 1983-84 year on direct-response advertising. One division of the new company, National Business Systems, will handle accounts that require 40 or more telephone lines, and the General Business Systems Division will take care of businesses requiring fewer than 40 lines. The targets of the National Business System campaign are the four to five million senior executives of larger corporations. This will involve full page ads in such publications as *Fortune, Forbes, Business Week, Wall Street Journal, Time* and the *New Yorker*. Each ad will carry an 800 number. There will also be a series of TV spots aimed at the same target audience. This campaign is expected to reach 95 percent of the targeted executives. The small business campaign will consist of direct mail, TV, radio, and print promotions, all bearing the 800 number.

In recent years, direct response has been used in the promotion and sales of some of the highest-priced equipment. Sperry Univac sent direct-mail packages which cost $40 each via Federal Express, in an effort to influence key executives to request a demonstration of the new Sperrylink Office System. This system combines word processing, data processing, personal computers, voice communications, and other services. The system sells for approximately $1 million. The reponse was so heavy that Sperry Univac reported a presentation scheduling problem. AT&T has successfully used TV to promote longlines service and equipment with response to an 800 telephone number directed to its sales center in Kansas City.

The Kobs & Brady agency created a successful direct-mail package for the Chesapeake & Potomac Phone Company, promoting telephone equipment selling for $50,000. Xerox Corporation uses direct-mail packages to sell $3,000 copiers with 15-day trial periods. (92 percent of respondents use the toll-free order number.) Moore Business Forms uses a catalog to reach companies with small computers to sell supplies and accessories. In addition to its catalog, Moore uses a multi-media approach that includes direct-mail pieces, space ads with 800 numbers. It has developed a pilot telemarketing operation that includes outbound calls to best prospects from its customer files. Inbound calls are used to take orders and to mail the catalog to prospective buyers.

The business-to-business mail-order field is vast in such products and services as: business supplies, industry computer software, stationery, office furniture, equipment specialties, etc; business services, such as information, communications, trade publication subscriptions, mailing list services, and industrial, including machinery, equipment, industrial maintenance, and materials handling.

The refinement of the database and its strategic use in the more competitive environment augers well for the future growth and diversity of business-to-business direct marketing. This is enhanced by the rising cost of sales visits, as well as escalating media advertisement costs. Small business, which is proliferating, finds it cannot be properly serviced by sales forces. Catalog selling is an evolving method in industrial and commercial markets. Office and computer supply businesses use catalogs as an efficient way to generate the relatively small dollar sales typical of their businesses. The Drawing Board relies virtually on its catalog alone to communicate with customers. Wright Line is a $50 million vendor of computer-related supplies and capital equipment for computer rooms, programmers and analysts, and small businesses. Wright Line uses an elaborate communications system that includes personal selling, telemarketing, and catalogs. Another factor of some significance in business-to-business catalogs is a trend toward better graphics, more color, and a "nonconformist" look and format, in an effort to get away from too much of a "look-alike" appearance.

Magazine Subscription Services

Publishers Clearing House is a nationally recognized direct marketing company best known as the largest source of magazine subscriptions in the world. Founded in 1953 by Harold Mertz, The Clearing House is located in Port Washington, New York, where it employs over 600 people in its various marketing activities. The first mailing was made that year (1953) from the basement of Mr. Mertz's home in Port Washington. He started with the simple idea that selling single subscriptions was costly; selling multiple subscriptions was cost-efficient. The first mailing included twenty magazine offers. However, not until the fourth mailing to the subscribers of the first three direct-mail packages was profitability attained. The company has been profitable ever since because of the validity of the offer, the personalized mailings, and the use of stamps and sweepstakes as involvement devices. Since the sweepstakes began in 1967, Publishers Clearing House has awarded over $100 million in prize money.

Between 1960 and 1972, Publishers Clearing House sent out over one billion pieces of mail. In 1983, the company mailed over 100 million pieces. Its large format mailing began in 1960 and continues to the present. It began its TV support of direct mail in 1974. Publishers Clearing House now represents over 250 magazines. Other magazine subscription services active in direct response operations are: Great American Magazines (Avon), American Family Publications, Magazine Buyers Service (R.H. Donnelley), Magazine Market Place, American Express subscription service, and United Subscription Service.

Other Markets

The 1970s witnessed a wide and increasing use of direct-response marketing by companies in the insurance, financial, and credit card services. A significant development in this regard was the rise and growth of Signature, the wholly-owned subsidiary of Montgomery Ward. Signature serves as Montgomery Ward's direct-response marketing arm and uses the most sophisticated computer techniques to segment Montgomery Ward's 16 million charge customer list.

In 1983, celebrating its 10th anniversary, Signature also achieved its 10th year of increased profits. The improving profit level, while paired with decreasing sales, was a result of new businesses and operating efficiencies. Service areas include the Montgomery Ward Auto Club, Montgomery Ward credit insurance programs, credit card registration service, and a home protection plan. The company is, also, again in merchandise sales after a temporary hiatus in 1981 to evaluate its strategy.

Dick Cremer, President of Signature, was in the vanguard in the field of Multivariate Linear Regression Analysis, utilizing Montgomery Ward's credit customers for analysis, testing, and segmentation. In the company's first, and still dominant, method of direct marketing—the use of direct mail—Signature sent 55 million pieces of mail to customers in 1983. Emerging as a strong second force at the company has been telemarketing.

Telephone communicators spoke with more than four million customers in 1983. Signature has developed innovative programs, fine products, and services, employing a keen understanding of the changing attitudes, wants, and interests of the consumer. A footnote on the Signature story is its in-house booklet which states its philosophy and reason for being and is titled "What Will Signature Stand For?" The answer is, says the booklet, Excellence—thru disciplined growth, thru people and in the way Signature does business. On the latter point, the booklet says: "Signature membership services are the best values around. Customers get the merchandise quality they expect. Signature delivers what it advertises. Top-notch customer service is our goal. We'll keep in touch with our marketplace.'" And on this it adds: "We need lots of information—about customers, about nationwide trends, about the government, about growing markets. We need to know and understand what's going on out there. By keeping in touch, we can move in the direction customers want. We'll come up with better products and improved customer services—and a more satisfied customer." Might this goal not serve as a guide to all direct marketers?

Impact of Social Change

One other factor which should not be neglected in a history of direct marketing is the profound impact on the marketplace as a result of the social upheavals of the 1960s. Dr. Hazel Henderson, a well known economist and futurist, conceives of the growth of direct marketing as a viable option in our era of high-cost energy. She sees evolving an information network of communications and organizations among consumers throughout the country, many of whom are non-conformist and are concerned with the quality of the life and self-fulfillment. It should be noted that there are an estimated 37 million people active in voluntary organizations in the United States, as well as millions of consumers in cooperative organizations. The U.S. Public Health Service estimates that 15 million Americans have banded together in 500,000 groups designed to help members cope with the critical challenges of life, marriage, divorce, sickness, joblessness and child-rearing. The American Association of Retired People with 14 million members and its magazine *Modern Maturity*, with over 8 million subscribers, is one dramatic example of the depth and breadth of the marketplace among the 25.5 million Americans 65 years or over—a population that is increasing rapidly. Over 15 million Americans are engaged in do-it-yourself, self-help and self-improvement activities. The do-it-yourself market was estimated at $30 billion for 1981 and expected to reach over $100 billion by 1990. The remarkable growth of Rodale, Garden Way, and similar direct marketing companies reflects these new life styles. *The Whole Earth Catalog*, published in the mid-1970s, sold 1.6 million copies in five years. Direct mail continues to be an invaluable tool for most of the more than 300,000 non-profit organizations in the nation, in a wide spectrum of philanthropic efforts in health and welfare, in education and religion, as well as community activities, politics, and elections.

Rodale Press

A dramatic example of the "new wave" in consumer attitudes is the success story of Rodale Press. In 1930, J.L. Rodale set up a research farm with a vision that the declining health of America's soil relates to the declining health of her people. Twelve years later came *Organic Gardening*. And in 1950, *Prevention* was born, devoted to the conservation of health and prevention of disease through good nutrition and exercise. Today the company publishes four magazines, three newsletters, an average of 35 books annually, a book division with 17 million books sold yearly. Its net revenue for 1982 was $125 million, 85 percent of it from direct response (primarily direct mail).

Rodale's magazines are leaders in their fields. They include *Prevention*, 2.5 million circulation, *Organic Gardening*, 1.35 million, *Bicycling*, 200,000, *New Shelter*, 650,000. Readers of its magazines, newsletters, and books number about 10,000,000. The company also puts out a number of catalogs which feature books and related merchandise, e.g. cookware in the catalog for cookbooks. Rodale produces television programs for broadcast and cable outlets. It is engaged in a number of research projects dealing with America's food system and America's health-care system. It is a company that does not take its sense of social responsibility lightly.

The company ceased publication of *Spring* magazine at the end of 1983, because ad revenue was inadequate, and it refused to take ads from what it considered undesirable products. The family-owned company, now run by Robert Rodale, son of the founder, uses direct marketing in an effective and au courant manner—but what distinguishes it is its vision, and its mission, which are recognized by its millions of customers. The company surveys its readers frequently; its marketing philosophy is based on efficiency and a devotion to quality and service. It has earned the trust of its readers by its integrity in product and in its advertising. The advertising that appears in its publications must meet high standards.

It could be said that its primary product is *information*. A Rodale brochure states: "At Rodale Press, we have a vision of the world as it could be. A world where everyone has enough food and resources. Where health is recognized as more than simply freedom from disease. Where technology works in *harmony* with the environment. Where individuals have more control over their lives and their government. Where both the plant and animal kingdom flourish in an ecological balance with man. Where neighbors and nature are guided by the spirit of cooperation. Granted it's an ideal vision . . . we believe that the ideal world is now being created . . . by centered, self-sufficient citizens who are capable of creating a better world for themselves at *home* . . . that is why all our publications focus on . . . . . what the individual can do to make life more natural, more self-sufficient, more energy-independent, and more healthful."

Garden Way

Another company that has flourished, as a result of this do-it-yourself and back-to-nature movements spurred by the social changes in the 1960s, is Garden Way. Formed by entrepreneur Lyman Wood in 1966, it had its roots in the mid 40s, with the publication of "The Have More Plan," a guide to self-sufficiency in the post-war era. The company began promoting and distributing the Troy Bilt Roto Tiller in the mid-sixties, and with the use of direct-response techniques, guided it to the $100 million sales mark annually by the early 1980s.

Other activities unfolded, including the Garden Way Cart, Greenhouse, and Publishing. A number of retail stores around the country were opened during those years. The company developed a reputation for product quality, customer service, and innovative direct-mail marketing techniques through its in-house agency. Estimated sales for 1983 are $120+ million.

Recreational Equipment, Inc.

A retail/mail-order business which finds that its customers support the firm's environmental philanthropy is Recreational Equipment, Inc. Its eight stores and mail-order operation do $75-80 million in sales annually in the outdoor equipment field. One million store and catalog customers have joined REI at a $5 one-time cost. The firm is a strong supporter of environmental issues.

Recently, it was cited by the prestigious Sierra Club for its significant environmental integrity. The company donates, on average, two percent of pretax net income to environmental and social projects, which amounted to about $70,000 in 1983. REI issues a quarterly newsletter, "Outdoor News," which devotes a full-page to discussion of environmental issues. Since the firm is a cooperative organization, it also provides benefits to its customers based on the amount of merchandise purchased during the year. It is a novel and successful retail and mail-order company.

The Vast Minorities Market

There are about 26.5 million blacks and 20 million Hispanics in the United States. The Hispanic market is essentially four markets. Mexican-Americans make up about 60 percent, Puerto Ricans, 14 percent, Cubans, 6 percent and those of other Hispanic origins about 20 percent. This is a huge and untapped market, which *Advertising Age* estimates at about $200 billion annually. Facts are stubborn things, and it is a stark fact that direct marketers have virtually ignored this massive market in spite of the enormous potential for profitable activity.

However, developments at the beginning of the '80s make it clear that a change is underway. There is every reason to believe that this decade will witness major progress, as direct marketers make new studies, do research, test and develop more targeted techniques in their activity in the enormous market among blacks and other minorities. A sign of the times is the establishment of the *Direct Marketing Minority Opportunities Group*. This organization is dedicated to advancing the careers of minorities, bringing minorities into the job stream, developing training and education programs, and publishing information on the vast untapped minorities market.

Consumer Financial Services

No area of direct marketing has made such a quantum leap forward in the early 1980s as the field of consumer financial services. The deregulation of banking, the meteoric rise in two-income families, and the large increase in the number of middle-income Americans have brought about this upsurge. The involvement of banks, in the recent past, in direct marketing often consisted of an insert into the monthly statement or an occasional piece of direct mail. Now, banks, insurance companies, and brokerage firms have invaded each others' territory with programs that cover financial services from insurance to managing the household budget. Some are developing customer service departments that will link the customers with the financial institution through a combination of the telephone, personal computer, and the company's mainframe computer and database. With an estimated $200 billion spent in 1982 for financial services, the largest corporations are expanding their operations through mergers and acquisitions. This is evident in the activities of such giants as Sears, American Express, and Prudential Insurance, to name a few.

What is the meaning of this in direct-marketing terms? Let's examine Sears. The Sears Financial Network now includes Allstate Insurance, Dean Witter for investments, Allstate Savings for banking, and Caldwell Banker for real estate. Sears expects that its solid reputation and its 40 million credit accounts will open the door to its financial services. Its target audience are those who are 25 years of age and older with household incomes of $25,000 or more. This is similar to the average Sear's credit card holder. It is, also, trying to attract people who don't shop at Sears. Its 859 stores are the bases for doubling as financial service branches, a process that is underway.

An analyst at Booz, Allen & Hamilton, Inc. predicts as much as 50 percent of Sears merchandise sales will be made outside its stores. This prediction is based on the fact that Sears is in the vanguard in the sophisticated fine-tuning of its enormous database, as well as in its use of the latest information and communications techology to create direct links between its customers, the stores, and its centralized computer equipment. This extensive electronic data and information are an instrument for Sears in the financial services area.

There are two caveats that need mentioning here. Can the disparate companies and their products be harmonized for effective benefit to the consumer? Are these giant corporate mergers in the best interests of our economic and social development?

One more example of the new giant financial services conglomerate is American Express which includes an insurance division, Fireman's Fund; the second-largest Wall Street brokerage house, Shearson/American Express; Investors Diversified Services; an international bank, as well as 1,000 travel offices and 50 percent ownership of Warner Amex. The keystone of American Express' operation is its 15 million cardholders around the world. It should be noted that its cardholders include about half of the 4.5 million American households with incomes of $50,000 to $75,000. Together with its new acquisitions, it aims to play a growing role in how people pool and invest their money. The company has made clear its general plans for expanding the American Express card so that it can be used to shop, make travel arrangements, pay the mortgage, buy and sell stock, transfer assets for maximum appreciation, and access savings. Targeted direct mail and other direct-response media will continue to play a major role in its growth plans.

Direct-Mail Volume in the Years Ahead

There is no doubt that the electronic revolution in information and communication technology is having an immediate, profound and lasting effect on the nature and scope of direct marketing. There are those who express a simplistic technocratic view that the new technology has already brought about a decline in the volume of direct mail and that the 1990s will witness the demise of direct mail. Nothing could be further from the facts. The volume of direct mail has shown a steady increase over the past years and the forecast is that third class mail volume will continue to grow at a faster rate than all other classes of mail. Third class volume for FY 1982 was 36.7 billion; projected for 1983—39.4 billion—and for 1984—42.1 billion. Of this, 95 percent is calculated as direct mail, while 10 percent of first class mail is estimated as direct mail. The number of third class bulk permits issued in FY 1982 was 663,402. Of these 300, 966 were non-profit permits.

As we ponder the impact of this information and communications revolution on direct marketing in the 1980s, an historical analogy is relevant. Daniel J. Boorstin, the Pulitzer-Prize winning historian and now the Librarian of Congress, has this to say: "People expected print to displace the use of memory, the telephone to displace the postal system, the automobile to displace the bicycle, and television to displace radio, movies and books, but that's not what happens. New technologies transform the uses of old ones. They don't replace them."

If history has a lesson to teach direct marketers, it is that the database, as a repository of marketing information, will enhance the quality and effectiveness of its primary vehicle, direct mail along with telephone marketing. Videotex and teletext will grow as direct-response vehicles, while joining with print and electronic direct-mail synergistically to make overall response more effective.

In his *Ad Age* column, Feb. 21, 1983, Sid Bernstein speculates that, as a result of the new technology, direct-response advertising may become the main vehicle for the sale and distribution of branded merchandise. What is significant about this observation is the fact that numerous brand-names manufacturers are entering direct marketing or expanding their direct-marketing operations. This includes such companies as Scott Paper Kimberly-Clark, Lipton Tea, Hanes, R.J. Reynolds, Brown and Williamson, Procter and Gamble—to name a few.

The U.S. Olympics/Procter and Gamble/Woman's Day Tie-in

The case of Procter and Gamble has a significant meaning for direct marketers. A somewhat novel and unusual use of direct marketing is evident in the *Woman's Day* Olympic Fund, in association with Procter and Gamble, which was launched in September 1983. It aims to raise $500,000 for the U.S. Olympic Team through the use of direct response with coupons and premiums in which a share is set aside for the Olympic Team. The promotions include two Carol Wright coupon mailings to 45 million households. Matching inserts will be placed in *Woman's Day* with regional breaks matching the Carol Wright ZIP code breaks. One of the Carol Wright mailings will include a sweepstakes offer of free trips to the Olympics. The envelopes will carry a message urging the redemption of the coupons to help support the U.S. Olympic team. The campaign will include heavy national TV, radio and magazine advertising, and a national publicity tour with former Olympians. Other large promotions planned include free standing inserts, mail-in offers, mailed coupons, and Olympic premiums, in an effort to raise funds and gain support for the Olympic Team, while promoting *Woman's Day* and Procter and Gamble products.

K Mart corporation has allocated $40 million for general and direct-response advertising in connection with the 1984 Olympics. This included national TV, a 24-page newspaper section, 63 million copies of an eight-page insert to appear in 600 newspapers, a sweepstakes campaign and a $1 million fund raising drive for the U.S. Olympics. Direct marketing is being used by various other companies in the tie-ins in support of the U.S. Olympic team.

Direct Marketing of "Sensitive" Items

Procter and Gamble entered direct marketing in 1981 from another direction, namely its promotion of "Attends" disposable briefs. Its ad which ran in *TV Guide* included an 800 number and listed a post office box number. It also offered a booklet "Living Normally with Incontinence," to explain how to order "Attends."

'"Attends" has been available through the Sears Catalog since November, 1982. In addition to the fact that direct-response appeals to those who are unable to leave their homes, there are those who, for personal reasons, do not wish to shop at stores for "Attends" and other sensitive items. The Procter and Gamble goliath seems to be exploring direct-response techniques in a number of areas, including the use of an 800 number, on packages to encourage customer feed-back on products.

IBM and Direct-Response Marketing

IBM expanded its direct response advertising beyond direct mail when it recognized two opportunities in the supplies business. Using direct-response advertising techniques, it saw a chance to provide its supplies' customers with greater convenience and service and to give IBM a more cost-efficient alternative to its traditional supplies marketing approach through a sales representative. However, this was only for certain commodity-like products and smaller customers. The answer was the establishment of a toll-free ordering phone number, which became known as IBM Direct. Orders are accepted and processed the same day. This effort was teamed with mail marketing and telemarketing to provide customers with up-to-date product information and a timely reminder to reorder before supplies ran out.

At first IBM handled ribbons, tape, and typewriters only. However, as customers sought more product information, the company planned a "full-line sales call" by mail. This became the first IBM Direct supplies catalog. That catalog has expanded significantly in product offerings. The 60 page 1983 supplies catalog contains several hundred part-numbered items. In its research IBM discovered, not surprisingly, that its best catalog buyers came from the customer database. Lists are updated constantly, while mailings are tested for format and type of offer. Meanwhile, as IBM moved into another supplies catalog area—featuring low-end products and small systems—it developed a risk free trial privilege for customers. This was teamed with the option of payment through one of the major credit cards. Parallel to this was the development of Product Centers. These factors led to the first IBM retail catalog.

Finally, in the latter catalog, pages relating to certain larger products were annotated to indicate that customers could call a toll-free number to arrange for a demonstration through a marketing rep. Thus, the catalog serves the function of IBM Direct and Product Center sales, as well as lead-generation. Combined with Authorized Dealers and mail-order, customers are given a full range of point-of-preference purchasing. IBM's second retail catalog was mailed in June, 1983.

The "New" Direct Marketing

One of the primary reasons for the increasing volume of direct mail is the nature of the "new" direct marketing, whose foundation is the computerized database of customers and prospects, media performance, and other relevant sales and marketing information. The primary vehicle for the database is direct mail, along with the telephone and the new electronics. No finer demonstration of this extremely targeted use of the database is that of the airlines; perhaps, all the more so, as quite a few found themselves in financial difficulty at the beginning of the 1980s.

American Airlines

American Airlines, for example, has been using direct-response advertising for many years, but it only undertook intensive efforts in the early 1970s. It was then that AA recognized that direct marketing was an efficient and effective method to reach the right audience—its most frequent customers and best travel agents at very attractive costs. They also recognized that direct marketing was very flexible in allowing the airline to tailor and communicate its messages quickly. At the same time, it focused on the fact that, although it was transporting many millions of passengers every year, a major share of its business—perhaps as much as 65 percent—was coming from a relatively smaller number—about 800,000 who were averaging some 13 trips a year on American Airlines.

This was the basis for developing the computerized Sabre reservation system and a major direct-mail effort to build the best possible mailing list and database. It was necessary to automate records in machine readable form, to acquire home addresses, phone numbers, and relevant demographic information. American Airlines used two distinct but integrated direct-marketing efforts. One was targeted to the very high-volume customers—called "Very Important Travelers"—and the other aimed at passengers who produced a significant but somewhat lesser amount of revenue for the company.

These customers were the object of an energetic direct-response campaign that included direct mail of several types, special memos, special reservation telephone numbers, and a host of other features. These travelers could now be reached, in a targeted manner, with information on schedules, fares, and special service features. In this specific and direct way its 800,000 frequent travelers could be reached while general advertising continued in the mass media to reach its other 25 million passengers who used American annually.

During 1983, American continued to update its data processing and communication projects. In this state-of-the-art development, another effort was to reach the travel agents and, in specific terms, the 7,000 largest travel agencies. The company has invested an estimated $130 million in its computerized system, which includes automatic contact with the 7,000 travel agencies. This has helped to automate such diverse functions as tickets and boarding passes, baggage tracking, as well as the direct-marketing program.

A program that shows how technology and marketing can be blended is the AAdvantage program for frequent travelers. This has made it possible to give the frequent traveler, each of whom has a specific number, a more personalized type of service regarding seat assignment, meals, accuracy, and efficiency. The AAdvantage customers receive special awards and bonuses based on the number of miles traveled, which is included in a monthly statement. The most recent introduction of an even more targeted program is called AAdvantage Gold. These American Airlines travelers—the most frequent travellers of all their customers—receive a gold card and are eligible for an additional variety of special incentives and services. Somewhat similar direct marketing programs are in operation at United, Pan Am, Delta, Eastern, and other airlines, which expect to bring about the most cost-efficient and effective marketing operation through direct marketing.

The Cash Management Account

Merrill Lynch, Pierce, Fenner and Smith, Inc. initiated and introduced what it called the Cash Management Account or CMA in 1977. In those short years, more than a million people invested at least $20,000 each. Direct response played a significant role in the marketing efforts that accomplished this incredible feat. In 1975, Merrill Lynch ordered a large-scale survey to learn what Americans, with $30,000 income or more, wanted from their financial service companies. The study showed that the four services the public wanted most were: 1) to have their money working for them at all times; 2) to have quick and easy access to it; 3) to have credit available when necessary; 4) to have accurate information about their total financial picture. Thus, the CMA was born to implement and realize these four objectives.

The first direct response space ads in 1977 were unsuccessful. After considerable testing and experimentation, space ads finally became effective during 1980. A big boost was given the CMA when *Fortune* Magazine ran a feature story on CMA calling it the most innovative financial service in nearly a decade. Ads in the *Wall Street Journal* brought a large response at a lead cost of only $8.39 for a $20,000 product. Then Merrill Lynch began a multi-media direct-response advertising program in concert with its mass product and broadcast advertising. Direct mail of various types were used, testimonials of actual customers were employed in ads, and free-standing inserts were placed in Sunday papers which were supported by advance radio spots. Sixty-second TV spots were developed stressing the convenience of CMA. An expanded direct-mail program generated leads for account executives. In less than six years, direct marketing has assisted in the process of acquiring over one million customers for CMA with assets of 70 billion. Moreover, about 60 percent of the accounts were opened by people who had not been previous customers of Merrill Lynch.

The Increasing Use of the Database

Since the database is the foundation of direct marketing, it is natural that companies in the information and communication field would be actively engaged in the direct-marketing process. The very recent experience of AT&T Information System (split-off by deregulation from AT&T) is a typical case in point. Its goal was to offer communications equipment and information-handling systems to more than 80 million households and seven million small businesses. These products include basic telephones, such as traditional, princess, and trimline sets, design line (decorator) telephones, and such sophisticated products as the Touch-a-matic 1600, the Nomad cordless series, and the Genesis telesystem—a microprocessor-based unit. It is the demands of customers for more functional products, that save time and money and help to better manage their lives, that has led to a rapidly-expanding higher technology product line.

By the end of 1982, (within five years) AT&T Information System had also set up 22,000 retail outlets for home telephones. In order to interact more specifically and relevantly with its customers, it offered the choice of direct response shopping through a number of direct marketing thrusts. The company developed the Customer Analytic Profile database (called CAPS) which extended to 60 million households. This database was segmented into 28,000 groups for more targeted marketing and for testing purposes. The system is totally interactive and user-friendly; the company was able to learn a great deal about their customers, their needs, and their interests. At this writing, under the de-regulation program, the company cannot use the CAPS directly and is in the process of rebuilding its database of current and prospective customers.

In addition to its stores and its extensive direct-response promotions, the company has set up numerous home centers and a telephone Marketing Center, established a joint venture with Sears, signed a contract with American Express to market its normal line of cordless telephones, and undertook a joint videotex trial with CBS involving 200 Ridgewood, New Jersey homes. AT&T Information System sees the target market for its products, in the early stages of videotex, to be households with incomes of $35,000 and more, as well as the innovators and early adapters. The latter include a considerable portion of the frequent users of credit cards, mail or phone shoppers, and finally those in the 25-44 age group.

The Interdependence of Media

The increasing use of a multiplicity of media in the 1970s required that each individual medium be refined for more effective targeted marketing. Equally important, if not more so, is the significance of the interrelationship and interdependence of the media, as a means of achieving a synergistic effect. Nowhere is this more visible than in the rapid development in the mid-'70s of support response advertising such as TV support for direct mail and print, and the increasing trend of telephone support for direct mail. The introduction of the 800 WATS lines—out-lines in 1961 and in-lines in 1965—has been a crucial factor in enlarging the scope and effectiveness of direct response, particularly in TV as well as in direct mail and print advertising.

The invention of the printing press in the 15th century hastened the demise of feudalism and monarchial societies and helped to usher in new industrial, market, and political systems in Europe and America. In a similar vein, in less than 30 years, television has altered American society, be it the marketplace or the presidential elections. Can less be expected from the proliferating and accelerating data processing, teleprinting, telecommunications, and telemarketing revolution?

New Markets and New Media

The expanding Information Age, in which John Naisbitt in *Megatrends* estimates that 60 percent of the workforce was in information jobs in 1982, focuses on the business of information handling, namely the knowledge business. The transistor invented over 30 years ago opened the way to the conveyance of communication and computer technology. This is the essence of the Information Age, i.e. the synergistic integration of data processing and communications.

In the expanding Information and Service Society of the 1980s, the mass media industries are gearing up for new technological challenges in the production and publication of books, magazines, newspapers, records, films, videotape and videodisc, and in radio, TV broadcasting and "narrowcasting." The electronic, transistor, and computer technology has brought us pocket calculators, video games, citizen band radios and video cassette records, automated telephone services, and pay cable TV. It is estimated that by 1990, well over half of United States households, or about 50 million, will be on cable TV.

The next few years will witness the emergence and further growth of interactive cable, subscription TV, personal and home computers, viewdata and teletext, and direct satellite broadcasting. The marketplace will be transformed. So, too, will direct response media, with "new" media appearing, and both new and traditional media being used singly and increasingly in tandem, as interactive and interdependent direct-response media move forward. Telemarketing is truly a marriage of telecommunications technology and direct-marketing techniques. In its immediacy, picturization, specificity, and convenience, the new video technology is direct-marketing biased.

The Genesis of the Computer in Direct Marketing

If we wish to render a sound judgment on the impact at present, and in the immediate years ahead, of high-tech on direct marketing, it is best to examine the role of the computer from the outset.[8]

Although high-speed digital computers were a by-product of World War II technology, their introduction to the business community did not occur until the early 1960s, and then in only a limited way, owing to their enormous expense. As in other fields, computers at first were used by direct-marketing firms essentially in accounting-related applications: payrolls, bookkeeping, and inventory control.

As computers became readily available, and less expensive to use—and as marketing executives became more familiar with their capabilities—the ability of computers to manipulate vast amounts of data, and to store information, was employed by the marketers to maintain mailing lists. And, upon the introduction of the ZIP Code system—with the Post Office's discounted rate for "ZIP-sorted" direct mail—direct marketers quickly moved to use EDP systems in place of the physically cumbersome and limiting Addressograph system (which used embossed metal plates, filed alphabetically) and similar-type systems.

As census tract-based data from the U.S. government became available on computer-readable magnetic tape, marketers soon saw an opportunity to overlay this information on their mailing lists by using the 40,000-odd ZIP Code "cells" to break the data into manageable "homogenous" groupings. These data were then used to segment individuals on large mailings lists into clusters of people with similar characteristics, enabling mailers to fine-tune their mailings, so as to reach people with characteristics compatible with their products and offers.

In the late 1960s, mailers took this segmentation one step further. By combining census tract data with their own actual sales experience, mailing lists—for the first time—could be "indexed" to identify individuals with a higher-than-average tendency to purchase. By using linear and multiple regression techniques, which previously required hundreds of manhours to perform manually, computers could segment mailing and customer lists in minutes. This enabled mailers to dramatically increase the efficiency of their promotions at negligible cost.

In the early 1970s, direct-marketing firms began using third-generation "mainframe" and first-generation "mini" computers to perform tasks previously handled manually. Marketers began using computer-based systems for applications which included computer modeling and mathematical simulations, customer service (since computers could store and display, on CRT screens, a customer's account history), and record keeping of "result" information.

Computer Technology Advances

In the late 1970s and early 1980s, as technology grew, computers began interfacing with people via high-speed impressionless printing techniques. This involved "Ink Jet Imaging" (an electrostatic system which sprayed ink onto paper at speeds hundreds of times faster than computer line-printers with 2,000 line-per-minute speeds) and "laser printing" systems which burned images into paper at, yet, higher rates of speed.

Personal Computers

But the biggest development in computer technology—in terms of its implications for direct marketers—began in 1981, as inexpensive (under $1,000) "microcomputers" became available for home use. As Alvin Toffler wrote in *Future Shock* and *The Third Wave*, personal (micro) computers started a revolution in direct marketing that, as of this writing, is just beginning to be felt.

As of early 1984, there were some 8,000,000 households in the United States with microcomputers, and the number is escalating yearly. It is estimated that by 1990, 40 percent of U.S. households will have personal computers. (IBM has announced its plans to market its "Peanut," and Coleco has introduced its $700 system complete with a printer, 64K processor and over 1,000K high-speed random access tape drive—a system which, only five years ago, would have cost in excess of $6,000,000 and would have occupied the space of an eight-room home!)

Coupled with "modems" (devices which permit computers to communicate with each other via telephone lines), personal computers are beginning to be used by consumers to gather information, shop, bank and budget. There are presently four magazines published, not on paper, but on a "floppy disk"—a magnetically-coated disk the size of a 45rpm record, which can store the equivalent of 500 pages of a printed book or magazine. These computers are being used to interact with consumer database services, electronic catalogs, and entertainment and information services.

Growth of Software Computer Products

Total sales of software computer products were estimated at $1.8 billion in 1983; this includes programs, video cartridges, word-processing systems and data storage devices. Cecil Hoge estimates that in recent years some 3,000 firms started up selling software by mail order; most of them small companies, with some medium-sized and a few large companies also involved. Book and magazine publishers are rushing into software. Doubleday has paid $1.3 million for the "Whole Earth Software Catalog" for microcomputers. It almost seems that a home computer can't survive without its own magazine to announce new computer applications and peripheral hardware. The magazine, *PC: The Independent Guide to IBM Personal Computers*, with 130,000 subscribers, consisted of 640 pages in its June 1983 issue, only 15 months after its first issue appeared. And a batch of other software magazines are riding IBM's coattails. Furthermore, Atari, Radio Shack, Commodore, Apple, and other home computers have magazines for their specific needs. *Family Computing*, with 300,000 circulation, published by Scholastic is aimed at servicing families with children between five and fifteen no matter what brand computer they have. Because of Scholastic's presence in the schools and its recognition that the personal computer is primarily an educational tool, the company is planning a number of new magazines in the computer field.

The phenomenal growth in the number of personal computers has also been decisive in the escalation of all types of computer software, as well as books and magazines. When Ziff-Davis changed the name of *Popular Electronics* to *Computers and Electronics* in November 1982, its circulation, which for years had hovered around 400,000, shot to 600,000. There are estimates in reliable book publishing circles that, by the end of 1983, the number of computer books will surpass all of fiction. Studies have shown that the audience for these personal computer products is largely male, college-educated with a median age of 37.

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[8] This section on the computer is based on information provided by Walter Marshall.

It is clear that direct-response advertising plays a major role in the sale and distribution of personal computers and its variety of software products. This, occasionally, takes an uncommon form as seen in Apple Computers' entry in the gift market with a catalog, first test-marketed in 1981. The logo of the catalog, with an emphasis on computer accessories, is the distinctive Apple logo with one bit missing and the multi-colored stripes. Products offered range from a $2.50 lapel pin to an $899 sailboat. In some respects, these are not unlike youth-oriented, upscale, quality merchandise offered in other gift assortments—but the focus is on the Apple logo. The 20-page catalog published in the summer of 1983 was distributed primarily to the company's warranty list of Apple computer buyers, which list it has built up via direct-response advertising. The success of the catalog led to the publishing of a one-page Christmas supplement including five additional gift products all bearing the Apple logo.

The Computer as a Tool

As to the overall significance of computers, John Naisbitt, author of the best selling "Megatrends" has a cogent prediction:

> *Just as highways and roads have promoted more cars, the computer has been a tool that has promoted more complexity and segmentation. Direct marketers are at the forefront of where everybody is going to be. We can all learn from them.*

One example of this trend is the operation by Comp-U-Card, and its latter-day offshoot, Consumer Electronics. It started in 1973 as a discount buying service for consumer durables. Comp-U-Card provides to its estimated two million members, for an entry fee of $25, a database which now has over 60,000 brand-name products with sophisticated software to access that database. It has been described as a comparison shopping facility for price and product information.

Comp-U-Card's latest development, with considerable potential implications for direct marketing and retailing, is a joint operation with the J.P. Stevens Company, with its first test in Dillards Department Store in Dallas. This comprises a self-contained kiosk which consists of a video disk player, a video monitor, a small microcomputer with the CRT screen and printer. It's hooked by a telephone modem to the mainframe. All the video kiosks are linked to this mainframe. The merchandise is bed and bath products and can be ordered from one's home with delivery from the J.P. Stevens fulfillment center in North Carolina. This novel development is planned for a number of quality department stores who can thus offer a vast selection of merchandise with little floor space, with speed of delivery, and no fulfillment action by the store. Other in-store shopping terminals, as well as public access terminals (airports, railroad stations, banks, shopping malls, hotels), are beginning to take shape.

More on the Electronic Media

A brief prefatory comment of a philosophic nature is in order, before we further examine this electronic media—extant and emerging. Tony Schwartz in his recent book, *Media: The Second God*, makes the sound point that electronic media are *received* media. Print is a *perceived* medium. People interact with perceived media, whereas, they react to received media. Received media are instantaneous, perceived media (print) require time to be understood or comprehended. Electronic media's credibility depends on how the message, i.e. the picture etc., impacts on the viewer's feelings or emotions. This requires great skill and sensitivity and, above all, integrity on the part of direct marketers to be effective, without exploiting or tampering with human emotions that can be counterproductive.

Cable TV

"Videotex or teletext may be the retailer of the future, but cable is very much here now, a medium that keeps proving itself to the direct marketing community," according to Sheldon Hechtman, Vice President of broadcast and electronic media, Rapp & Collins. The use of this newest medium by direct marketers is a rapidly-developing phenomenon which is evidenced by the proliferation of shop-at-home programming and direct-response merchandising spots.[9]

Direct marketers are excited by the prospect of Cable TV's:

- **Narrowcasting:** Cable networks are almost all specifically aimed at the interests of particular groups, many of whom are younger, more affluent, better educated and with more varied lifestyles.
- **Infomercials:** Cable TV is not restricted to 30, 60, 90, 120 second spot commercials. Cable offers longer advertising messages.
- **Price Structure:** Compared to Broadcast TV, Cable TV enjoys favorable rates, with a variety of P.I. deals.

Home shopping shows have sparked a great deal of interest among direct marketers and several of these "shopping shows" have evolved from their experimental stages into more developed programs. Some of these include:

- **The Home Shopping Show**—is the longest running shopping service on cable TV. The program consists of three eight-and-a-half minute infomercial segments and is shown on Modern Satellite Network three times weekly.
- **The Cable Shop**—is a joint venture between J. Walter Thompson and Adams Russell. The service consists of four channels, one of which is the "menu" channel, where viewers can find which product infomercials are available, at what time, and on which channel they will appear.
- **The Sharper Image Living Catalogue**—is a 30 minute video version of the San Francisco-based

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[9] *Based on information supplied by Murray Miller.*

Sharper Image Catalogue. The program features Sharper Image President, Richard Thalheimer, describing and demonstrating catalog items in an imaginative and exciting way.

Spot Commercials

Direct-response "spot commercials" familiar to Broadcast TV are successfully making their way to Cable TV. The cable direct-marketing "spots" make a wide variety of products and services available to the cable subscriber. Most ad-supported networks are eager for these direct-marketing commericals which generally have visual punch and appealing products. The Cable market is wide and growing. Major magazine publishers, record companies, and financial houses have joined other direct-marketing firms in offering their products and services via Cable TV.

Through Cable TV, direct marketers are able to communicate greater quantities of information in more detail to consumers. Also, Cable enables marketers to more selectively determine which consumers receive their message. It is apparent that Cable TV direct marketing will gain in consumers' acceptance, resulting in noticeable growth in mail-order sales during the 1980s. In the years ahead, Cable TV will undoubtedly enhance the variety and quality of its programming to hold and enlarge its audience, while direct marketers continue to improve the effectiveness of their commercials through research, testing, and experimentation.

Management and Marketing

An article in the *Harvard Business Review* (July-August 1980) draws the implications for the future of management and marketing. The article "Retailing Without Stores" concludes (p. 112): "We see a virtual certainty that the era of widespread telecommunication shopping is approaching. We predict that this era will witness significant alterations in the concept of retailing and the nature of retail competition. The challenge to management is to grasp the dimension of the coming telecommunications revolution." One prediction is that 20 percent of all retail sales will be over videotex systems by 1990. By that year, estimates of households with videotex terminals range from 7 percent to 25 percent. It is a harbinger of things to come when one witnesses the entry into, and exploration of, "electronic mail order" by Sears, Penneys, Federated Department Stores, Neiman-Marcus, I. Magnin, and Fingerhut, to name a few.

The Fingerhut Phenomenon

Fingerhut is a case study of the use of "old" and "new" media, both solo and in concert linked with its database and the individuality of each customer. This is pointed out in the best-selling book, *In Search of Excellence*, by Thomas J. Peters and Robert Waterman. "Fingerhut, a major retail cataloger . . . may be the ultimate niche company (one that has carved out a successful market segment). Because of a remarkable system of tracking customers and customer profitability, virtually every individual customer is a separate market segment." For example, as *Fortune* notes, "a month before your son turns eight, you will receive a packet including a personalized letter promising that, if you agree to try any of the products offered, Fingerhut will send along a free birthday gift suitable for an eight year old boy. The more orders you place, the more packets you receive in the mail. Fingerhut concentrates on its core customers and includes such service as pre-approved credit in the midst of recession . . . A successful catalog house like Fingerhut overspends on data accumulation. 'Using our data better we can open a personal store for each customer', a Fingerhut executive says." (Page 185.)

Another article in the July-August 1981 issue of the *Harvard Business Review*, "Managing Our Way to Economic Decline," after a critique of the limitations of the short-term approach of the product management system and the marketing concept concludes (p. 77): "The key to long-term success—even survival—in business is what it has always been: to invest, to innovate, to lead, to create value where none existed before. Such determination and striving to excel requires leaders—not just controllers, market analysts and portfolio managers."

Direct Marketers—and Social Responsibility

Two books published in 1983 expressed profound ideas that are beginning to find their way in business practice. In *The Marketing Imagination*, Theodore Levitt, noted professor of the Harvard Business School, states that an enterprise that exists merely to make money is chasing "a repugnant idea, an idea whose time has gone." The purpose of business, he adds, is simply "to create and keep a customer." To accomplish that, he says, "You have to do all those things that will make people want to do business with you."

Wm. C. Norris, founder and chairman of Data Control Corporation, in his book, *New Frontiers of Business Leadership*, states, "While business continues to follow a policy of maximizing short-term gains with minimum risk, there are signs that it is beginning to recognize that it has responsibilities beyond just making a profit." He believes that business has vast social responsibilities, and that the central task of business is to identify "unmet social needs" and to figure out profitable ways of meeting them. Morris opines, "History teaches that addressing major unmet social needs is sound business."

From another vantage point, Donald Seibert, retired chairman of the J C Penney Company and currently chairman of the American Retail Federation, has this to say: "In the long run, the best business is that which is founded on the most ethical judgments."

The history of direct marketing amply confirms that this kind of leadership and professionalism is the rock-bottom basis for success and long-term profitability. From Aaron Montgomery Ward, Richard Sears and Julius Rosenwald to L.L. Bean, and Harry Sherman of Book-of-the-Month Club, and from Robert Rodale, Lyman Wood of Garden Way, from Rose Harper of Kleid to Lillian Katz of Lillan Vernon, to Stanley Marcus, Henry Johnson of Spiegel, Lester Wunderman, and Richard Cremer of Signature—entrepreneurs and leaders have been and are men and women of foresight, courage and integrity. They are people with an understanding of and respect for the consumer and a sense of social responsibility. This is the way to meet the great challenge and opportunities that we face in the 1980s.

2

The Scope of Direct Marketing

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Introduction

In our last edition of the *Fact Book*, we wrote that direct marketing represents a phenomenon much greater than increasingly sophisticated mail order. Indeed, what direct marketers do differently is to concern themselves more accurately with the response of sellers to the increasingly complex demands of buyers whose lives and needs are changing daily.

Today, the participation of the direct marketing industry in our changing social condition is greater than it has ever been. Although we can and do measure certain key statistics, a measure of the scope of the industry is inappropriately modest if it stops there. Fueled by new technologies, direct marketing is now a driving force that will profoundly change the way we live.

In this overview, we will consider not only the raw growth in measureable categories and traditional applications, but we will, also, introduce the dramatically new trends and new categories that promise to define the scope of our industry in the age of information.

Exhibit 2-1
Total Estimated Direct Response Advertising Expenditures

(in millions $)

	1981	**1982**	**1983**
Coupons[1]	94.6	127.1	148.1
Direct Mail (postage, paper & production)[2]	10,566.7	11,359.4	12,692.2
Magazines (mail order merchandise only)[3]	150.0	167.0	188.7
Business Magazines (industrial products only)[3]	59.0	66.0	73.9
Newpapers[4]	73.0	70.6	80.5
Newspaper Preprints[4]	2,288.5	2,500.0	2,850.0
Telephone[3]	11,467.0	12,935.6	13,608.3
Television[3]	295.0	339.0	386.5
Radio[3]	29.0	33.0	37.0
Grand Total	$25,022.8	$27,597.7	$30,065.2

1. Source: Nielson Clearing House
2. Source: Direct Marketing Association, Inc.
3. Source: HAI Industry Statistics/DMA projected growth percentage (1983 only)
4. Source: Newspaper Advertising Bureau/DMA projected growth percentage (1983 only)
5. Source: ATT Communications, DMA estimate for 1983 only; based in part on information from AT&T

Note: Creative costs not included in any of the above figures.

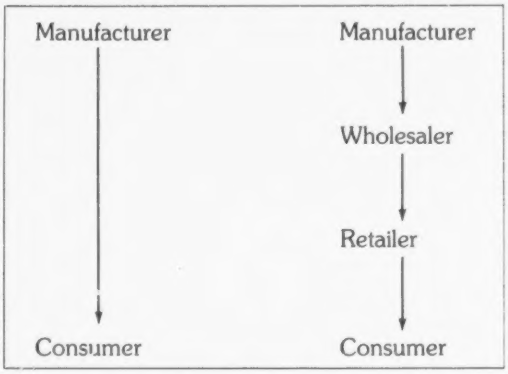
DMA estimates that total goods and services sold in the United States as a result of direct marketing amounted to $137.9 billion in 1982 and to $150.3 billion in 1983. These figures are based of the formula estimate that direct marketing costs equal approximately 1/5th of gross sales.

The Role of Direct Marketing

It is important to define what direct marketing is to understand the role that our efforts play in the movement of goods from seller to buyer. Although media expenditures provide excellent measurements, they do not really represent all the critical elements of direct marketing.

A highly simplified definition of direct marketing is that it is a system of delivering goods and services directly from seller to consumer using measurable advertising and sales promotion techniques and which bypasses intervening distribution systems.

Direct Marketing vs. Retail Distribution



The diagram is, of course, highly simplified.

In fact, the full scope of direct marketing includes numerous hybrid systems, wherein direct-response techniques are employed for their advantages of simplicity, measurability, and efficiency. Furthermore, direct-response creative devices that motivate immediate and visible consumer response activity are frequently mixed with other promotional efforts to stimulate sales, donations and other measurable response. The diversity and flexibility of direct marketing applications is a significant factor in the growth of the industry. Today, direct marketing is a familiar element in the "marketing mix" in virtually every major manufacturing and service category. It is important, though, to recognize that direct marketing, in "pure" and "hybrid" applications, plays a vital role in all the elements of marketing.

The following diagram, the "Four P's," is helpful in understanding the role of direct marketing.

Product
Place
Promotion
Price

Traditionally, advertising (*promotion*) is considered the dissemination of product information reasons to buy to the consuming public and, without question, direct marketing does that. But it is or can be much more.

Establishing the *price* of a product to recoup all manufacturing, distribution, and selling costs plus profit can be affected dramatically by the direct-marketing discipline. First, the direct distribution will almost certainly change the cost of distribution. Also, direct-marketing customers respond differently to the same price at retail—typically, testing to determine the effect of price is a common and integral element unique to direct marketing.

The *place* in direct marketing, our version of the retail outlet, is actually the media vehicle itself. The "store" for catalog merchandise, for example, is the book itself. For a record club, the "store" may be an insert in a magazine.

The effect of direct marketing on the *product* itself may be the most profound, because products sold and delivered directly have the added value of service as an integral benefit. Goods then are sold, but on the perceived benefits of the *entire transaction*—product and service.

Direct Marketing and General Advertising

There is an important distinction to be made between direct marketing or direct-response advertising and other advertising forms. Just as important is to recognize the blurring distinctions, as general advertisers become more like direct marketers! Consider this brief comparison:

Direct Marketing	**General Advertising**
• Products sold to individuals described precisely by name, address and specific previous behaviors.	• Large groups sharing consumer characteristics of demographic and psychographics are persuaded to shift attitudes.
• Behavioral change (response) is immediate and precisely measureable.	• Behavior is changed *after* attitude shift over time. Action is deferred.
• The medium is the marketplace.	• The medium is for information. Marketplace is usually retail.

It is within this comparison that we can find the bases for the explosive growth of direct marketing and the profound effect it has on our lives today:

- The unprecedented capacity to collect and analyze information on what consumers want, and the factors that affect behavior, has enabled manufacturers (sellers) to define ever-more appropriate products for extraordinarily well-segmented audiences. With efficiency comes profitability.
- The media, through which these audience segments can be contacted and through which transactions can be executed easily, are proliferating as rapidly as new information technologies—namely, the computer—are becoming a part of our lives. This edition of the *Fact Book* (as well as numerous other DMA publications) will consider these topics in much greater detail. One thing is certain: the explosion of electronic databased marketing efforts is no longer on the horizon. It is here.

Direct Marketing User

Direct marketing applications are now a part of virtually every category. To our knowledge, no significant cases exist in any category wherein the use of direct marketing has declined. Indeed, in each of the major categories—consumer goods and services, business-to-business, and fund-raising—the use of more sophisticated applications of electronically-processed data has resulted in more and more reliance on direct marketing.

Business-To-Business Marketing

The business uses of direct marketing fall into several categories. The most common are sales lead-generation, direct sales, and sales support which can include trade show attendance, literature distribution, new product introduction, and pre-call conditioning. In these categories, direct mail is considered the primary medium, although virtually all business-to-business print has become direct response.

Most business-to-business marketers enjoy the advantage of prospect markets which are easily defined targets based on industry classification, size, or sales volume. Because they are so identifiable, direct mail can enjoy considerable advantages in efficiency over other media despite the higher circulation costs.

In nearly all industries marketing to business, there is a dedicated sales force or network of representatives responsible for all sales. For those forces, direct marketing provides the opportunity to minimize wasted sales efforts by calling on those who have expressed quantifiable interest. With the cost of an industrial sales call climbing out of sight, the cost advantage of qualified lead-generation is obvious. The sale of most capital goods implies a series of contacts with the prospect over a period of time, a superb use of direct mail. Reducing the cost of the initial contact yields not only greater profits but greatly increased productivity.

It is precisely for the gains in productivity—both of advertising expenditures and lowered sales force costs—that the non-direct response print ads in business are becoming extinct.

The types of businesses that use direct marketing to reduce sales costs are manufacturers of "high-ticket" office equipment, industrial equipment, building products, medical equipment, many types of wholesale finished goods, and components used in other manufactured products.

There is, also, wide use of direct marketing for goods which are purchased directly without the intervention of sales force. Typical are commercial products such as paper and stationery, business publications, and less expensive office machinery and supplies.

In recent years there has been a growing trend for high-ticket product marketers to offer direct purchase as well. Business catalogs commonly offer expensive computer and communications equipment, as well as furniture and other products. It is a rapidly changing world, indeed, and its growth will continue.

Exhibit 2-2
Estimated Business/Industrial
Direct Marketing Statistics
(in billions)

	1976	1977	1978	1979	1980	1981	1982	1983
Estimated advertising expenditure	$ 1.1*	$ 1.45*	$ 1.60*	$ 1.95*	$ 2.19*	$ 2.32*	$ 2.49*	$ 2.79*
Estimated sales	11.25	14.85	16.06	19.53	21.99	23.24	24.98	27.92

*Part of the Direct Mail Advertising Expenditure Figure.

Consumer Goods and Services

The application of direct-response advertising to the consumer market is virtually limitless. While media change and new techniques are developed, the continued growth of the industry is certain. In the food and package goods categories, the direct marketing technique of couponing has undergone prolific growth. Virtually every major department store is publishing catalogs with increased frequency. New marketers of home electronic products such as video equipment and home computers are entering the direct marketing area in a steady stream. Insurance, home products, magazine subscriptions, service club membership, craft products, educational products, and clothing are just a partial list of our growing consumer direct-response categories. The list will continue to grow as consumers change shopping habits, as the effects of increased energy costs and the desire for convenience keep people out of cars and in the home. It is in the area of consumer goods marketing that recent technological developments have had great impact.

Leading Industries using Direct Marketing

- Periodical Publishers
- Food Stores and Distributors
- Mail Order Houses (Catalog Mailers)
- Department Stores
- Book and Record Publishers (Includes Book/ Record Clubs)
- Automotive Manufacturers
- Drug Manufacturers
- Book and Stationery Stores
- Newspaper Publishers
- Home Furnishing Stores
- Insurance Companies
- Credit Card Companies
- Financial Institutions

New Media such as interactive videotex systems are no longer blueprints but realities. Consumers are shopping—for almost everything—in the home, at their own convenience, in direct, electronic contact with sellers. Also new databases have "cracked" one of the last barriers left to direct marketers—consumer packaged goods. Information on brand use of such items as toiletries, health and beauty aids, food and beverages—all those categories generally thought inappropriate for direct marketing—is just now opening to our discipline. Coupon distributors and other data managers are now compiling names, addresses, brand preference, and usage characteristics. Direct marketers are using data to make direct and compelling appeals.

Expenditures in these new areas are not yet easily measured but are contributing to the total at an undeniably vigorous pace.

Exhibit 2-3
Advertising Expenditures of Direct Marketing Advertisers 1983

Company	(In Millions)
Fingerhut & Figi's	113.2
New Process Company	57.2
Allstate Insurance Company	37.0
Colonial Penn Group	35.0
Columbia House	30.0
Lakeland Nurseries	14.2
Hanover House	14.2
Herrschners	14.0
Eddie Bauer	10.0
Shopsmith Inc.	9.8
AT&T Communications	8.2
Calhoun's Collectors Society	8.0
Rodale Press	5.9
Lee Wards Creative Crafts, Inc.	5.8
Frederick's of Hollywood	4.6
Exxon Travel Club	4.0
Cabela's Inc.	3.0
Cosmetic Beauty Club	1.3
Lillian Vernon Corporation	1.0
Frostline Kits	.98
Crest Fruit Company	.80
Berman Leathercraft	.10
Bell and Howell Company	.03

Source: DMA Research Department, updating by telephone survey (Jan.-Feb. 1984).

Exhibit 2-4
Direct Marketing Full-Service Agencies
U.S. Gross Billings

	Billings (in millions)	
Agency	1983	1982
Wunderman, Ricotta & Kline, Inc. (1),(3)	124.2	114.8
Ogilvy & Mather Direct Response, Inc.	95.0	68.0
The Direct Marketing Group Inc. (2)	65.7	53.3
Stone & Adler Inc. (1)	55.8	53.1
Rapp & Collins, Inc.	50.2	36.7
Kobs & Brady Advertising, Inc.	44.3	25.8
Chapman Direct Marketing, Inc. (1),(2)	41.5	32.0
Direct Marketing Agency, Inc. (2)	40.0	37.0
Grey Direct	39.6	21.7
Smith/Hemmings/Gosden (2)	37.7	26.9
Soskin/Thompson Associates (3),(4)	36.6	25.7
AyerDirect	29.0	24.8
The DR Group, Inc.	25.5	20.0
MARCOA Direct Advertising, Inc. (3)	24.6	20.0
The Frank Vos Company, Inc.	22.3	21.8
Barry Blau & Partners, Inc.	21.4	18.8
BBDO Direct (3)	21.0	15.0
Compton Direct Marketing (Fairfax) (3)	19.0	18.0
B&B Direct	18.8	17.2
McCaffrey and McCall Direct Marketing	10.0	5.0
FCB/Direct Marketing (3)	6.7	2.9
Clark Direct	4.0	2.7
DFS Direct	3.7	—
Muldoon Direct, Inc.	3.2	—
Ketchum Direct	15.0	12.0
Scali, McCabe, Sloves Direct Response (3)	11.0	—
Cramer-Krasselt/Direct	6.8	3.9
WOL Advertising Associates	4.8	4.1
J. W. Prendergast	3.8	3.5

(1) Subsidiary of Young & Rubicam, Inc.

(2) Billings figure includes revenue generated from related businesses such as lettershop, printing or database operations.

(3) Agency provided total figures but did not supply supporting breakdown.

(4) Division of J. Walter Thompson Company

Source: DMA Research Department

Note: This list represents only those agencies who responded to a DMA request, made in 1984, for their full-year 1982 and 1983 billings. All figures were supplied by the individual agencies, who were asked to include only space and broadcast billings, billings for materials and services provided by organizations outside the agency, and capitalized agency fees.

Fund Raising

A significant but smaller category of direct marketing is the fund-raising industry. Currently, there are more than 250,000 holders of non-profit mailing permits, a fairly accurate measure of the scope of the industry.

In 1983, the American Association of Fund Raising Counsel, Inc., compilers and publishers of the fund raisings statistics, recorded total charitable donations of $60.39 billion. Historically, funds raised which are attributable to direct mail have constituted about a third of the total. The mail-related category, though, is very broad with only about one-quarter being direct solicitation. Other means of fund-raising are included in the direct-mail category besides the simple appeal for contributions. These include tickets by mail for performing arts groups, political donating, special trade union appeals, subscriptions sold as membership services, membership dues in non-profit organizations, and dues for fraternal organizations. The A.A.F.R.C. estimates that 60 percent of funds raised are from those renewable sources such as membership and subscription, and 40 percent are from new donor solicitations.

Just as business and consumer direct marketing is a common tool for very small businesses as well as large, there is considerable activity by small, local organizations such as clubs and religious organizations. In all, religious giving is, by far, the largest category in fund raising, followed by hospitals and other health services, educational institutions, social welfare groups, the performing and visual arts and humanities organizations, local civic and other public groups, and several other small categories.

Similarly, as the size of non-profit organizations varies, so does the sophistication of the direct-marketing fund raising techniques. For many smaller organizations, fund raising by mail can be as simple as one-time requests to members to support a new building program or a summer camp. This is contrasted to the very largest fund raisers who use very sophisticated list management and analytical techniques based on a predictable donor life cycle. The most sophisticated direct marketing fund raisers know how many will donate from a given list, how long they will donate, and what the affordable acquisition cost is by source.

Following are the total contributions for 1983 by category and type of donation compiled by the American Association of Fund Raising Counsel plus the DMA estimates of the mail-related totals.

Exhibit 2-5
Estimated Direct Mail
Charitable Contributions—1982

	(in $ billions)
Religion	7.02
Education	2.15
Health & Hospitals	2.10
Social Welfare	1.58
Arts & Humanities	1.24
Civic & Public	0.42
Other	0.59
TOTAL	15.10

Source: American Association of Fund Raising Counsel, Inc., "Giving USA—1983 Annual Report," 1983/based on figures from the USPS Household Mailstream Study.

Direct Marketing by Government Agencies

Other agencies such as Health and Human Services have conducted campaigns against smoking, housing discrimination and other areas of public service. Direct mail is, of course, the most common medium of communication from our elected representatives both national and local.

The intensity of government efforts in the area of public information, however, has proven more a function of individual administration policy rather than the efficiency of the effort. President Reagan has allocated fewer dollars than did his predecessor. We have no prediction on the growth or decline in this potentially significant category.

Conclusion: The Direct Response of Direct Marketers

As the collection and application of information technologies proliferate, a word on the Orwellian implications is both irresistible and appropriate.

Though it is true that direct marketers know more and more about consumers, the DMA position on the responsible application of these data is unchanged. The appropriate use of information is to better meet the consumer's need—and nothing else. As an organization committed to the highest standards of ethical behavior, DMA will continue to work to prevent any practices which constitute unwarranted and undesirable intrusion into the affairs of consumers. Indeed, we believe that any practice, which seeks to know what our consumers would rather protect, is against not only the consumer's interest, but counter to the interests of the industry as well.

The world we are in, this age of information, is, for all of us, an opportunity to do more for more people than ever before. As for anyone ever involved in marketing, it represents the greatest opportunity yet to do more for ourselves.

Exhibit 2-6
Sales Volume of Leading Direct Marketers*

Company	Sales Volume (In Thousands) 1982	1983
Sears Merchandise Group	1,886,600	2,092,000
J C Penney Company, Inc.	1,537,000	1,652,000
Montgomery Ward (Mobil Corp.)*	1,145,000	1,190,000
Colonial Penn Group, Inc.	548,000	615,000
Spiegel, Inc.	395,000	512,000
Fingerhut & Figi's (American Can Co.)	400,000	512,000
Time Inc. (magazines only)	320,000	385,000
Franklin Mint (Warner Communications, Inc.)	410,000	378,000
New Process Company	235,000	268,000
McGraw Hill, Inc.	215,000	254,000
Columbia House (CBS)	200,000	220,000
Hanover House Industries, Inc. (Horn & Hardart Co.)	140,000	215,000
L. L. Bean, Inc.	192,000	205,000
American Express (TRS Co./merchandise sales only)	150,000	180,000

Exhibit 2-6 (cont'd)
Sales Volume of Leading Direct Marketers*

	Sales Volume (In Thousands)	
Company	**1982**	**1983**
Herrschners, Brookstone, Jos. A. Bank Clothiers (Quaker Oats Co.)	120,000	152,000
Avon Direct Products	121,000	144,000
Grolier Inc.	147,000	135,000
AT&T Communications	100,000	120,000
Jackson & Perkins, Harry & David's, Bear Creek (Bear Creek Corp.)	110,400	111,000
Wausau Insurance Company	—	110,000
RCA Direct Marketing, Inc.	100,000	110,000
World Book Encyclopedia, Inc. (Scott & Fetzer Co.)	100,000	105,000
New England Business Service, Inc.	91,600	103,000
Spencer Gifts (MCA, Inc.)	85,000	101,500
Amba Marketing Systems (The MacDonalds Co., Inc.)	70,000	100,000
Lillian Vernon Corporation	65,000	100,000
G-R-I Corporation	78,500	99,000
Allstate Insurance Company (Sears, Roebuck & Co.)	77,200	97,000
The Bradford Exchange, Limited	70,100	81,000
Rodale Press, Inc.	68,900	77,878
Current, Inc. (Looart Press)	75,000	74,000
Physicians Mutual Insurance Company	56,900	70,200
Cabela's Inc.	43,000	70,000
The Sharper Image	48,000	69,000
Meredith Corporation (books only)	49,800	67,200
Miles Kimball Company	40,000	51,800
Old American Insurance Company	40,000	42,000
Exxon Travel Club, Inc.	40,800	40,600
Horchow Company	40,000	40,000
Michigan Bulb Company	—	35,000
Bankers Life & Casualty Company	32,000	33,000
C & H Distributors, Inc.	24,000	28,000
J C Penney Insurance Companies	25,100	25,200
Bloomingdale's By Mail	15,000	25,000
Colwell Systems, Inc.	20,600	25,000
Royal Silk Limited	7,500	21,000
Deerskin Leathercraft (Intio, Inc.)	21,900	20,000
REI—Recreational Equipment Inc.	16,300	20,000
Johnny Appleseed's Inc.	14,000	16,000
Aetna Life & Casualty Insurance Company	5,000**	15,000**
Crest Fruit, Inc.	12,000**	14,000
Crain Communications, Inc.	9,707	11,877
Direct Marketing Corporation of America	6,360	10,350
National Business Furniture, Inc.	9,000†	10,000
The Stuart McGuire Company	10,000	10,000
20th Century Insurance Company	8,700	9,400
Commercial Travelers Mutual Insurance Company	8,629	8,255
Gerber Life Insurance Company	5,000**	7,000**
Frostline Kits (Gillette Co.)	4,800	5,500
Littleton Stamp & Coin Company, Inc.	—	5,200
800 Software, Inc.	1,900	4,670
Bureau of National Affairs, Inc. (mail originated)	3,269	4,532
Essence Communications	—	4,200
Royal Gulf Corporation	3,900	3,800
Thayer Publishing Company	2,900	3,200
National Catholic Reporter	2,243	2,441
Alamo Fruit Company	2,289	2,300
The Christian Science Publishing Society	100**	966
Catholic Digest	90	75

Source: DMA Research Department. Based on figures provided by participating companies, surveyed December 1983—February 1984.

*Includes Signature Financial/Marketing Services dm sales.

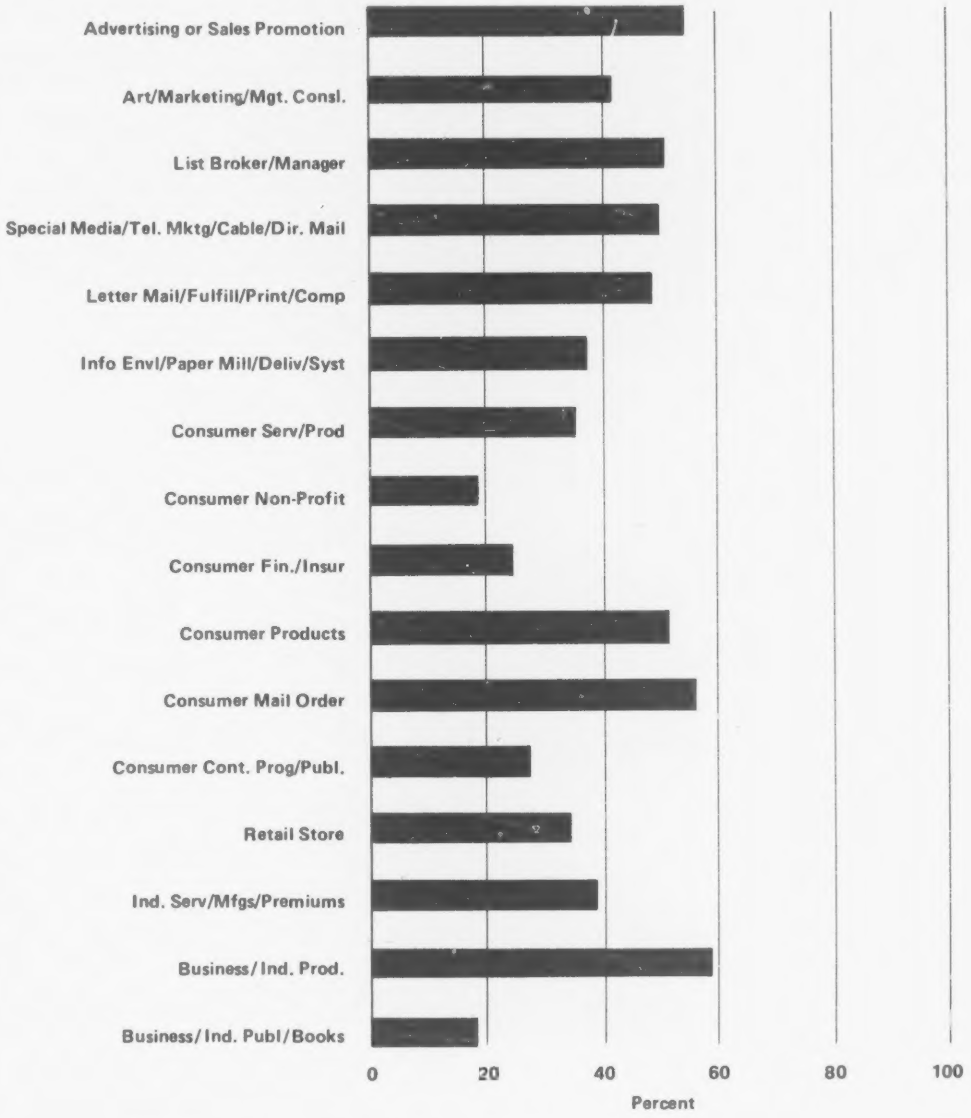
**Participant's estimate

†Adjusted for acquisition

Exhibit 2-7
Sales Increase—One Year

SALES INCREASE – ONE YEAR

Companies expecting a 15% or more increase in sales (discounting inflation) resulting from direct marketing practices for the next year.*

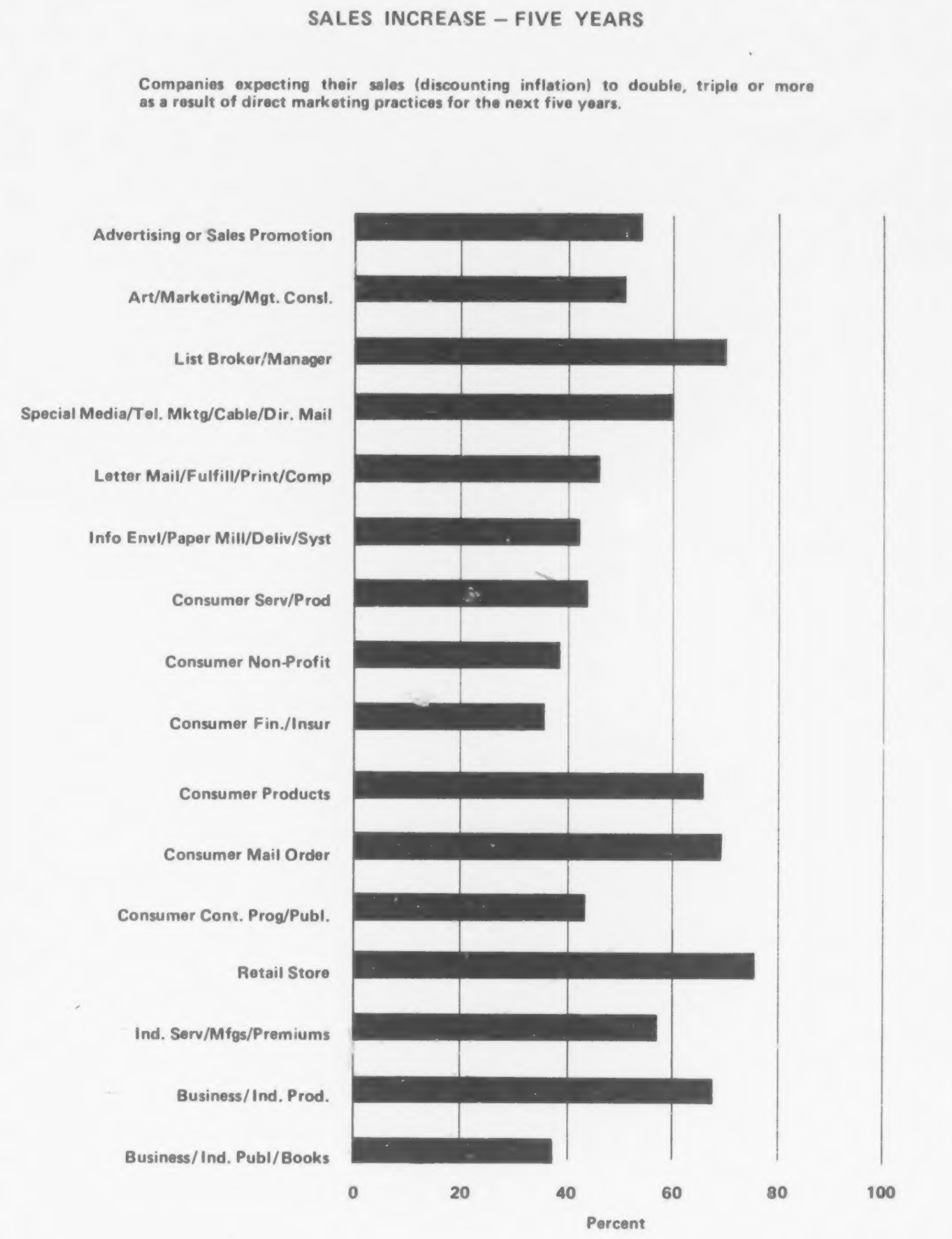


*Proportionate to the number of companies within that industry.

SOURCE: MAP Survey, DMA, 1982

(Base = 673 Voting Members)

Exhibit 2-8
Sales Increase—Five Years



SOURCE: MAP Survey, DMA, 1982

(Base = 673 Voting Members)

3

Business-to-Business Direct Marketing

by Geane Hanrahan
Leber-Katz Partners Advertising

The American business market place is currently one of the most competitive markets in the world. American firms are not only competing with each other for their share of the commercial market but increasingly with foreign manufacturers as well. The business-to-business marketing process differs from that of the consumer marketer and, as the competition in this arena increases, the advertising and distribution skills required to survive and succeed become more critical.

In an effort to shed light on the business-to-business direct marketing process, this chapter has been divided into the following sections:

- Business-to-Business Marketing vs. Consumer Marketing
- Direct Marketing Applications
- Estimated Expenditures
- The Business-to-Business Advertiser
- Executive Reactions
- Effectiveness
- Lists
- Industry—Specific Research
- Business-to-Business Catalogs
- State-of-the-Art Research
- Conclusion

Business-to-Business Marketing vs. Business-to-Consumer Marketing

Some of the key areas that illustrate the differences between business-to-business and consumer marketing are as follows:

1. The Sales Cycle

A sale to a company generally takes longer than a sale made directly to a consumer. This is due, in part, to the fact that it is often difficult to find the decision maker or decision influencers within the prospect firm. In addition, once the "right" executive(s) has been identified, the decision making process is often longer, since the executive must justify his/her purchase decision to the company's satisfaction. For the most part, "impulse buying" does not exist in the industrial arena.

2. Advertising Access

Advertising access to executives is limited. On the job, they may read trade magazines, and direct mail newspapers, but rarely do you find them watching TV or listening to the radio.

3. Prospect Distribution

Generally, similar companies cannot be found in neat geographic clusters. There are exceptions to this, such as the garment district in New York, and Silicon Valley in California, but, for the most part, you are more likely to find a printing company next to a supermarket and across the street a Fortune 500 company that manufactures electronic equipment. Consumers on the other hand, tend to live in groups that reflect their mutual needs—i.e. singles, young families, low income, high income, etc.

4. Market Size

The industrial market place is significantly smaller than the consumer market place. There are approximately ten million businesses in the United States compared to over 70 million households.

5. Sales Cost

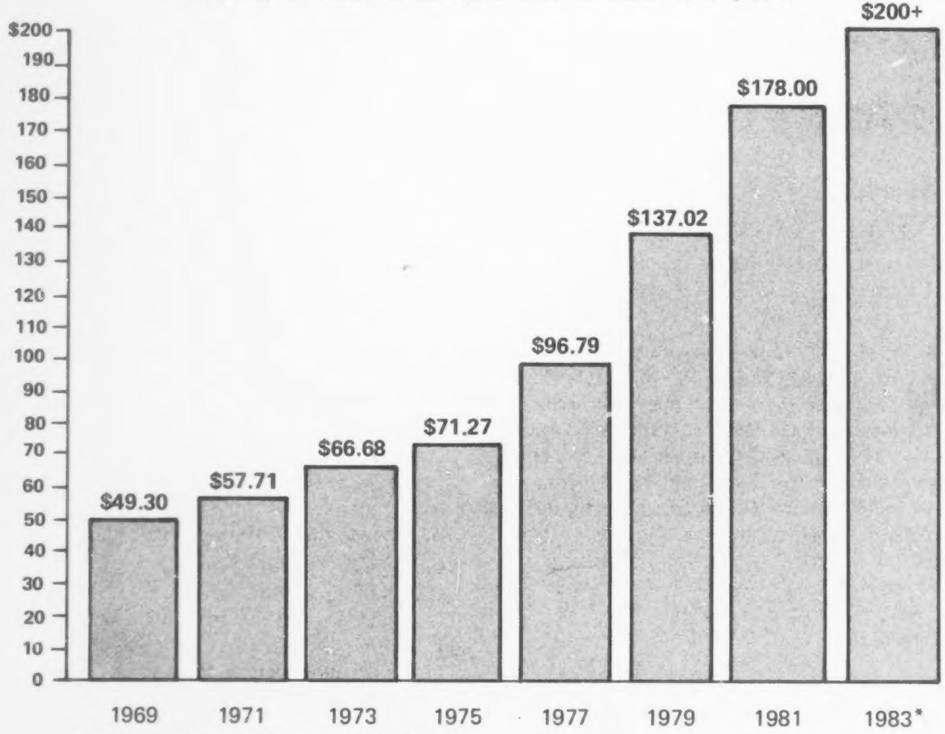
The average cost of one industrial sales call is now over $200 (see Exhibit 3-1). The high cost of gasoline, coupled with the wide geographic distribution of prospects, contributes to this expense. Cold calling or "door-to-door" selling is too costly for the industrial marketer. In addition, when selling to industry, an average of 4.3 calls are needed to close a sale—indicating an average cost-to-close of over $800!

In an effort to meet competition, reduce the average cost of a sales call, soften the market place, and speed up the decision-making process, more and more business-to-business marketers are testing, refining, and turning to direct marketing—the fastest-growing new form of communication and distribution.

The fundamental question, of course, is how to define the direct marketing process in the business-to-business environment. This is not easily answered. For just like any other marketing process the direct marketing process is in a constant state of evolution—it is a strategic, dynamic

Exhibit 3-1

Cost of an Industrial Sales Call is now over $200

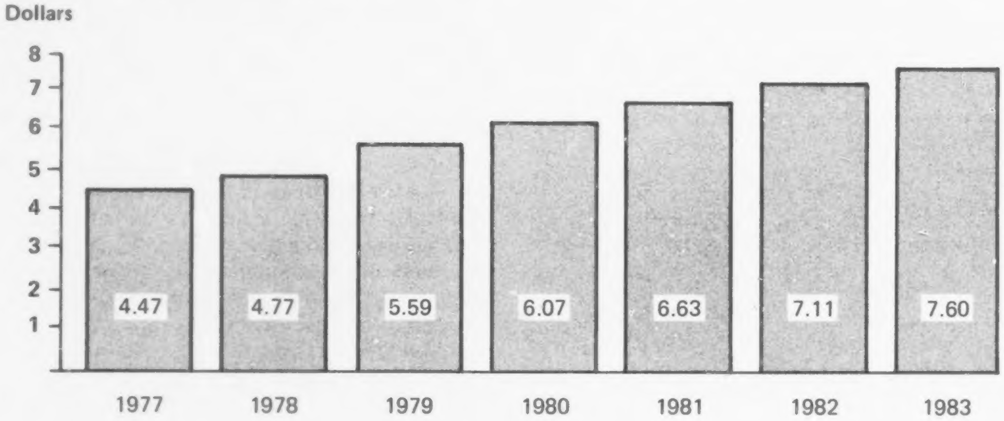


Source: McGraw-Hill Research, 1969-1981.
**This 1983 figure is a McGraw-Hill estimate, since their research has not been completed, as of this publication date.*

Exhibit 3-2

Cost of Average Business Letter

The average cost of dictating and transcribing a business letter moves up to $7.60. The 1983 figure represents a 6.9% increase over 1982's $7.11. This increase is primarily due to salary raises of both the dictator and the secretary. Other fixed costs, materials and mailing costs remained constant. The survey revealed that the use of word processing is more widely accepted but most businesses still use the traditional boss-secretary-typewriter mode of business correspondence. The cost for word processor letters is not included in the figures below.



Source: Dartnell Institute of Business Research, 1983.

process. As a point of reference, the current process can be defined as follows:

The business-to-business direct marketing process is a strategic tool based on the construction and maintenance of a database and utilized by business marketers to establish a dialogue with, classify, and market to industrial customers and prospects. Communication tactics used for implementation include, but are not limited to, direct mail, telemarketing, space, radio, and TV ads.

Although direct mail is only one of several tactics that can be used in the direct marketing process, it is significant to cite the results of a study conducted in 1980 by the Institute for Social Research in Michigan on the nonhousehold (business-to-business) mail stream. Tabulated results showed that 11 percent of all first class mail and approximately 85 percent of all third class mail is business-to-business.

Direct Marketing Applications

One of the most common applications of business-to-business direct marketing is to prequalify prospects. Since cold calls have become too costly, sales managers are steering their sales force toward prospects who have expressed an interest in their product or service by responding to an advertisement. It is also used to:

- Test new products
- Test new product applications
- Achieve direct sales
- Reinforce the sales effort
- Introduce a new sales representative
- Distribute literature
- Create good will
- Build attendance at trade shows
- Conduct market research

In addition to the above, business-to-business marketers are also using the direct marketing process to create, supplement, and refine their in-house customer and prospect files. They are developing what is commonly referred to as the "in-house data base." Industrial marketers are beginning to recognize the value of market feedback in terms of classifying both customers *and* prospects over the long term. Relevant market data derived from responses *and* nonresponses can dictate subsequent marketing steps and lead to product refinement as well as on-target advertising.

Estimated Expenditures

It is difficult to determine precise business-to-business direct marketing expenditures. One method of estimating is to analyze the historical relationship between the total Direct Mail Advertising Expenditure and that of Industrial Direct Marketing which amounts to about one-fifth of the total dollar volume, or 22 percent. For 1982, the Direct Mail Advertising Expenditure is estimated at $11,359,000,000. Twenty-two percent of that total equals $2,498,980,000.

It is also estimated that, over the years, 10 percent of the total sales of business-to-business products and services is invested in direct mail marketing advertising expenditures. Using the estimate of 2.5 billion (rounded out) as the base, the total industrial sales volume resulting from direct-mail marketing comes to an estimated 25.0 billion. This represents an exceptionally successful advertising-to-income ratio estimate that is unique to business/industrial direct mail—due in part to the nature of the higher-priced business products.

Exhibit 3-3

Estimated Business/Industrial Direct Marketing Statistics (in billions)

	Estimated advertising expenditure	Estimated sales
1976	$ 1.1*	11.25
1977	$ 1.45*	14.85
1978	$ 1.60*	16.06
1979	$ 1.95*	19.53
1980	$ 2.19*	21.99
1981	$ 2.32*	23.24
1982	$ 2.49*	24.98
1983	$ 2.79*	27.92

*Part of the Direct Mail Advertising Expenditure Figure.

The Business-to-Business Advertiser

In 1982 and, again in 1983, Wunderman, Ricotta and Kline, Inc., a direct marketing agency in New York, hired Response Analysis Corporation of Princeton, New Jersey, to conduct research on the business-to-business advertiser. The Response Analysis research group telephoned senior marketing and advertising executives from Fortune 500 companies. They were all involved in business-to-business selling of products and services. Following are the highlights.

1. 1982 Research

Questions on Sales Force Success and Costs. The answers to these questions suggest that many senior marketing and advertising executives do not have ready access to information on sales force activities.

- Over half (58 percent) said they did not know the percentage of sales calls to new prospects that result in sales.
- About half (48 percent) were not able to estimate the average cost of a sales call to one of their customers.

Current Problems With the Sales Force and Dealers. The key issues involve communication and control. Whether companies use their own distribution system or independent dealers, concerns about communication and getting attention were the most frequently mentioned.

- Almost a third (27 percent) said they don't know what the biggest problem was concerning sales force management.

- Another 27 percent claimed their biggest problem was communicating with their sales force.

Use of Direct Response Techniques. When asked about *specific* direct response techniques, the executives reported using a variety of them.

- About half (47 percent) of the executives mentioned direct mail first when asked to name direct response techniques.
- Overall, direct mail was the most frequently cited (83 percent) as a technique.
- The next most frequently cited techniques were magazine ads with direct response offers (63 percent) and telephone selling (54 percent). A small number of the executives (5 percent) said their companies use an agency that specializes in direct response advertising.

Use of Sales Records. While most executives (88 percent) said their companies maintain "data banks," their use appears limited to planning and budgeting.

- Few executives said anything about using these data banks to guide day-to-day sales efforts and activities targeted toward specific customers, and none mentioned their use in conjunction with direct response methods of selling.

Perceptions of Telemarketing Telemarketing did not seem to be widely understood among the executives as an organized procedure to assist or make sales.

- Most executives (62 percent) said something about using the telephone but did not indicate that it is a systematic, planned procedure—even though 28 percent said they have a "special telephone facility" in-house.
- About half (55 percent) said their companies use "800" numbers—but usage of the number is reported as being for customer information rather than for specific sales applications.

2. 1983 Research

Questions About the Organizational "Fit" of Direct Marketing. The responses indicated a deep penetration of direct response within the corporate units.

- Almost half (43 percent) of the Fortune 500 executives interviewed said they have direct marketing functions in more than three of their departments or divisions.
- The departments and divisions mentioned included, of course, Marketing, Sales, and Advertising, but not exclusively. Other departments mentioned were the Paper Division, Health Care Division, Semi-Conductor Division, Robots Division, Truck Department, and many more.

Specific Applications. Answers to questions regarding the use of direct marketing suggests that direct marketing is seen not only as a selling tool but also as a learning and communication strategy.

- The most important specific use of direct marketing is lead generation (44 percent).
- 22 percent said they sold direct via direct marketing tactics.

Management & Training. Responses did not indicate a clear cut method of managing the direct marketing process. However, its growing importance was indicated by the number of firms who train their managers in this field.

- There was an even split of respondents between those who claimed that the direct marketing function was managed centrally (48 percent) and those who claimed it was decentralized and delegated to autonomous departments (48 percent).
- More than a third (36 percent) said their company conducts Direct Marketing Training sessions.

Executive Reactions

Some firms use mail less frequently than they should because top management thinks their business prospects don't like to receive mail. That theory was advanced during a promotion budget meeting for a new product at IBM. Based on previous proven successes, a substantial portion of the budget had been earmarked for mail promotion.

The question was raised: "Even though mail gets results, if business people don't *like* to receive it, should IBM be investing so much of its budget in it?"

IBM hired an independent market research firm to determine the answer through a carefully-structured random sampling of the prospects for the new product. They found that mail not only works well; it's the *preferred communication* for business people. They like mail best. The IBM prospects were asked three key questions about the business mail they received.

1. When asked, "How do you prefer to hear about new office products?"
    28% sales calls
    7% magazines
    4% brochures or folders
    60% direct mail
2. When asked, "Is direct mail helpful or annoying to you in conducting your business?"
    75% said helpful
    21% annoying
    4% both

The annoyed 21 percent were then asked: "What other medium would you prefer?" More than half said, "Send me direct mail anyway," or "I'd prefer to get it than not get it."

3. When asked if they took some kind of action as the result of receiving IBM direct mail, 43 percent reported taking some positive action (some step forward in the sales process).

Source: Yeck Brothers Company

IBM's survey results simply add more evidence to the observation that direct mail is one of the most effective ways to reach business/industrial and professional executives.

Effectiveness

The following two studies show that mail can be effective with top executives.

1. Study #1

In 1980, a survey was sponsored by the Business Advertising Research Council of the Advertising Research Foundation (BARC/ARF). This study focused on the *addressees*, i.e. the executives who receive promotional material. A test group of 1500 executives who received a particular mailing was compared to a control group of 500 executives who did *not* receive the mailing. The survey was conducted by phone and generated 416 responses from the test group and 164 from the control group. It was found that the test group reported a higher factor of purchase consideration—20 percent compared to 13 percent in the control group.

Recall of the mailing itself registered a factor of 14 percent on an unaided basis. Of the respondents, 63 percent correctly identified the company by name. In addition, 16 percent recalled the mailing after being prompted. That's a total recall factor of 30 percent from top management direct mail recipients.

Of those who recalled the mailing, 32 percent claimed to have read or scanned through it. This represents eight percent of the total sample. Nearly half (49 percent) of the respondents who recalled the mailing correctly identified the form the mailing took as a letter and reply form.

Of those who recalled *reading* the mailing, 15 percent indicated they passed the information along. Other actions taken are indicated below:

Base	Recalled Reading	Didn't Recall Reading
	33	68
Discarded	46%	84%
Nothing at present	27	2
Passed along	15	9
Wrote	3	0
Filed/Held	0	4

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In addition, the respondents who claimed to have read the mailing were asked which three product attributes from a list of six were mentioned in the text. The table below shows that better than 60 percent correctly identified the noted attributes.

Base	Recall Reading Mailing
	33
Time Saving*	70%
Efficient*	64
Pays for itself*	61
Space Saving	24
New Technology	24
Cleaner	21

*Actually mentioned in mailing

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2. Study #2

A few years ago NCR's Market Research Department discovered that bankers were not generally aware of NCR's leadership position as a supplier of Central Information File Systems. NCR turned to direct mail to create this awareness and mailed a short series of informative letters to bankers. After the mail program, the market research department restudied the situation with strikingly different results. Before and after the program they asked the same five questions. The "after" answers to all questions indicated an increased awareness of Central Information Filing. The answers to two of the questions were especially significant.

NOT DESCRIBED

	Before Direct Mail Program		After Direct Mail Program
In the past month, have you noticed any advertising for Central information File Processing?	32%	Yes	65%
In your opinion, which manufacturer is the leader in providing Central Information File Processing?	18%	Burroughs	18%
	51%	IBM	30%
	30%	NCR	52%
	1%	Xerox	0%

The direct mail program increased the banker's awareness of NCR's position from 30 percent to 52 percent, clearly proving that informative direct mail can be *effective*.

Lists

Basically, business lists can be broken down into three categories:

- Internal lists (house lists)
- External lists (compiled lists)
- Respondent lists (buyers)

Internal lists include customers, former customers, prospects, inquirers, stockholders, warranty card holders, etc.

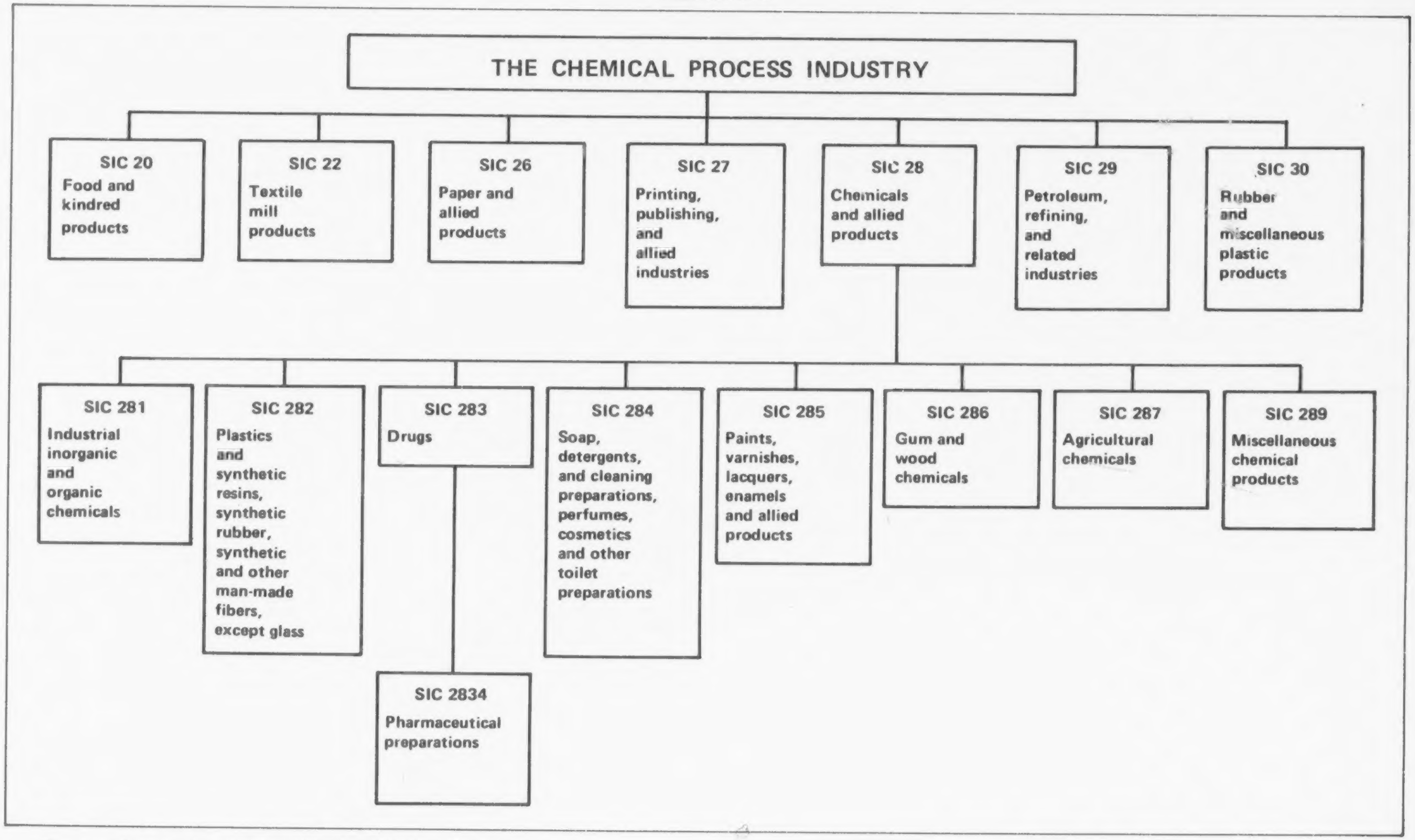
A company's customer list is important for two reasons:

1. It can be used as the starting point for market analysis, i.e. Who are my best, most profitable customers? Where are they located? What kind of business are they in? What size are they? A thorough analysis of present customers will help determine your best prospects.
2. A customer list can be viewed as an additional source of revenue. Many firms rent their customer lists to well-screened buyers.

External lists are compiled in various ways. A primary business list compiler gets information directly from the business establishments. A credit agency is an example of a primary source compiler. A "secondary source" compiler uses the yellow pages, trade association rosters, various directories, and other sources to compile a list.

Respondent lists include names of individuals and companies who have used the mail to effect an inquiry or purchase. Another company's customer list is a good ex-

Exhibit 3-4


THE CHEMICAL PROCESS INDUSTRY
SIC 20 Food and kindred products
SIC 22 Textile mill products
SIC 26 Paper and allied products
SIC 27 Printing, publishing, and allied industries
SIC 28 Chemicals and allied products
SIC 29 Petroleum, refining, and related industries
SIC 30 Rubber and miscellaneous plastic products
SIC 281 Industrial inorganic and organic chemicals
SIC 282 Plastics and synthetic resins, synthetic rubber, synthetic and other man-made fibers, except glass
SIC 283 Drugs
SIC 2834 Pharmaceutical preparations
SIC 284 Soap, detergents, and cleaning preparations, perfumes, cosmetics and other toilet preparations
SIC 285 Paints, varnishes, lacquers, enamels and allied products
SIC 286 Gum and wood chemicals
SIC 287 Agricultural chemicals
SIC 289 Miscellaneous chemical products

The Standard Industrial Classification (SIC) coding system.

The SIC was developed initially for use within the Government for statistical purposes. It is now used widely as a key business-to-business marketing tool.

ample. Trade magazine subscriber lists also fall into this category.

Most business lists are segmented by industry, or line of business. The United States Government's Standard Industrial Classification Code (SIC) is used for this purpose. The SIC is a numerical coding system set up to classify the total economy into different industry segments. Primarily, it categorizes all business activities into broad industrial divisions, then subdivides each into major groups and subgroups. Exhibit 3-4 on previous page illustrates how this system works.

Use of the SIC code enables a list buyer to target potential customers. Additional selection factors are:

- Year business started
- Sales volume
- Net worth
- Number of employees
- Line of business (Standard Industrial Classification Code)
- Credit rating
- Company status (i.e. branch, headquarter, single location)
- Business trend—sales or number of employees on the increase or decrease
- Private/public
- Minority/non-minority owned
- Sex of key decision makers
- Interest of key decision makers (magazine subscriptions, club/trade association memberships)
- Direct mail respondent

Industry — Specific Research

The Business-to-Business Council (BTB), one of nine special interest groups of DMA, is geared to the study of business-to-business direct marketing. In 1979, recognizing a need for more detailed information in this area, Council members launched the first study of industrial direct marketing practices by industry group. Conducted and donated by Dun's Marketing Services, a company of The Dun & Bradstreet Corporation, the 1979 study was of the office equipment industry. In 1980, the second annual study, also conducted by Dun's Marketing, was completed concentrating on the direct marketing practices of the printing industry. And in 1981, the target industry selected was wholesale firrns in the durable goods area.

In an effort to maintain consistency for comparative purposes, a similar questionnaire was used in 1979, 1980 and 1981. All interviews were conducted by Dun's Research Department staff via the telephone. The research universe was identified by company size and Standard Industrial Classification Code. Following is a brief summary of the industry studies conducted thus far.

Exhibit 3-5

Summary of Business-to-Business Council Research by Industry

		1979 Office Equipment Manufacturers	**1980 Printing Industry**	**1981 Wholesale—Durable Goods**
Total # of respondents		500	1,307	735
Total using Direct Mail		169 (34%)	328 (25%)	300 (41%)
1.	How important is direct mail in your marketing efforts?			
	Critical or Very Important	25.4%	55.5%	44%
	somewhat Important	69.2%	34.5%	45.4%
	Not Important	4.1%	9.1%	9.3%
2.	For which of the following do you typically use direct mail?			
	Direct Response Sales	68.0%	34.1%	31.0%
	Inquiry/Lead Solicitations	89.3%	37.8%	35.0%
	Announcements of New Products	82.2%	47.6%	64.7%
	Price Lists & Changes	40.2%	21.3%	30.7%
	Seasonal Promotions	34.9%	24.1%	na
3.	Which of the following do you use to generate responses?			
	Business reply card	85.2%	62.5%	59.3%
	Business reply envelope	23.7%	32.9%	20.7%
	Standard Telephone #	3.0%	na	9.3%
	Toll-free Number	34.9%	29.6%	37.7%
	Coupons	na	na	2.0%
	Nothing	na	na	2.3%

(continued)

Exhibit 3-5 *(cont'd.)*

		1979 Office Equipment Manufacturers	1980 Printing Industry	1981 Wholesale—Durable Goods
4.	How frequently do you set objectives when mailing to prospects?			
	Always	29.0%	22.9%	16.0%
	Most of the Time	18.9%	20.7%	22.7%
	Rarely	16.6%	27.8%	30.7%
	Never	30.2%	27.7%	30.6%
5.	How frequently do you use test mailings to business prospects?			
	Always	2.4%	3.7%	2.0%
	Most of the Time	11.8%	14.3%	7.7%
	Rarely	19.5%	29.6%	26.0%
	Never	62.7%	50.9%	64.0%
6.	On the average, would you say the response rate to your customer mailing is . . .?			
	Under 1%	13.6%	8.8%	4.5%
	1-2%	25.4%	20.7%	20.1%
	2-3%	11.9%	15.9%	23.9%
	Over 4%	30.5%	39.5%	44.3%
7.	On the average, would you say the response rate on your prospect mailing is . . .?			
	Under 1%	13.6%	13.1%	8.4%
	1-2%	29.0%	29.9%	24.3%
	3-4%	21.3%	16.5%	27.3%
	Over 4%	23.7%	30.5%	32.3%
8.	Approximately what percent of your advertising budget is accounted for by direct mail expenditures?			
	None	—	1.5%	5.3%
	1-10%	17.2%	12.5%	24.7%
	11-20	21.9%	6.1%	12.7%
	21-30%	11.8%	10.1%	9.0%
	31-40%	3.0%	3.7%	5.0%
	41-50%	1.8%	9.8%	10.7%
	51-60%	7.1%	2.1%	2.0%
	61-70%	1.8%	3.6%	1.3%
	71-80%	1.2%	12.8%	7.7%
	81-90%	2.4%	7.0%	4.3%
	91-100%	1.8%	11.3%	5.0%
9.	Do you currently use telephone marketing to generate leads or sales?			
	Yes	na	54.6%	57.7%
	No	na	44.8%	41.0%
10.	Do you think generating leads by telephone marketing is . . .?			
	More effective than direct mail	na	42.2%	41.4%
	Less effective than direct mail	na	12.8%	26.0%
	About the same as effective as direct mail	na	40.3%	21.3%
11.	Do you measure conversion of leads into actual sales?			
	Yes	na	43.3%	27.3%
	No	na	55.8%	72.7%

**Conducted by Dun's Marketing Services, a company of The Dun & Bradstreet Corporation, for the Business-to-Business Council.*

Following is a size breakdown of the respondents *using direct mail*:

Exhibit 3-6

1979/Office Equipment Manufacturers
Size by Sales Volume of respondents using direct mail:

Under $2mm	$2-4.9mm	$5-24.9mm	$25mm+	Total
41	36	54	38	169
24.3%	21.3%	32%	22.5%	

1980/ Printing Industry
Size by Sales Volume of respondents using direct mail:

Under $2mm	$2-4.9mm	$5-9.9mm	$10mm	na	Total
128	106	54	34	6	328
39%	32.3%	16.5%	10.4%	1.8%	

1981/Wholesale—Durable Goods
Size by Sales Volume of respondents using direct mail:

Under $1.5mm	$1.5-3.9mm	$4mm+	Total
87	118	95	300
29%	39%	31.7%	

The complete extensive reports of the above studies are available to Business-to-Business Council members only. It is the objective of the Council to continue to build a library of information on direct marketing practices within industry.

Business-to-Business Catalogs

Since 1980, more and more firms selling to businesses have been turning to direct response catalogs as an alternative to the high cost of direct customer contact by sales personnel. And, according to Richard Hodgson of Sargeant House and author of *The Direct Mail and Mail Order Handbook*, as the number of business-to-business catalogs has increased, these catalogs have taken on many of the characteristics of consumer mail order catalogs. The following material on catalogs was prepared by Mr. Hodgson. It is based on a recent analysis of 100 business-to-business catalogs.

To evaluate the changes which have taken place in the business-to-business catalog field, Sargeant House, a catalog consulting firm in Westtown, Pennsylvania, conducted the analysis of 100 catalogs it received during the first half of 1983. While multiple catalogs were received from a number of different firms, the analysis does not include duplicate catalogs, but does include different editions of catalogs from the same firm.

The catalogs included in the analysis represent a wide range of different types of products, ranging from office supplies and business books to audio-visual equipment, maintenance equipment and supplies and business furniture. Approximately one-half of the catalogs analyzed featured office and computer supplies—the portion of the business-to-business catalog field which has grown most rapidly in recent years.

Format

Most business-to-business catalogs use a standard 8½ × 11" format, which easily fits into office files. Of the 100 catalogs analyzed, 87 were in this so-called "*Time*-size" format. Only three were digest size (5½ × 8½"), and another ten were in various other sizes.

One lesson business-to-business catalogs haven't learned from their sister catalogs going to consumers is the effectiveness of featuring specific merchandise on the cover (and indicating where that merchandise can be found in the catalog). Only 20 of the 100 catalogs took advantage of this sales-building technique. Thirty-two catalogs featured a montage illustration with representative items of merchandise; nine featured a special message; three had "a pretty picture," and the remaining 36 had only title information.

There were 54 pages in the average catalog, with an average of five items of merchandise per page.

The biggest change is the extensive use of color in business-to-business catalogs. Of the 100 catalogs analyzed, 46 were full-color throughout; 13 more were partially full-color; 27 were two-color, and only 14 were entirely black-and-white.

Response Devices

Even though only catalogs aimed at getting direct orders were analyzed, ten of the 100 failed to include an order form. Of the remaining 90 catalogs, 71 had one order form; 18 had two order forms, and three had more than two order forms.

Order forms were most often placed in the center spread position (43), or inside the back cover (34). Only 14 catalogs used a different order form position.

The average order form had lines for eight items, although many of the smaller catalogs used the so-called "laundry list" format, with every item in the catalog listed separately. This was particularly true of business books catalogs.

Reply envelopes were included in 49 of the catalogs (43 of these were attached directly to the order form). Only two of the catalogs had more than one reply envelope. Two others had an order form which folded into an envelope. Eleven of the catalogs had reply cards for ordering.

Following the trend of consumer catalogs, only 39 response devices used business reply postage-paid formats.

Credit

The majority of business-to-business catalogs offer credit. Of the 100 catalogs analyzed, 15 offered house credit, 54 offered MasterCard, 53 offered Visa, 32 offered American Express, ten offered Diner's Club and four offered Carte Blanche.

Telephone Ordering

The use of in-WATS telephone service has grown rapidly in the business-to-business field, just as it has in the consumer mail order catalog field. 62 of the 100 catalogs listed an 800 number for orders; 34 others featured a toll number for ordering. Only four of the 100 catalogs failed to list a telephone number.

Comments

While business-to-business catalogs have shown marked improvement in recent years, there is still less imagination and creativity than in the consumer mail order catalog field. Far too many catalogs simply copy the format and style of other catalogs, and, in all too many cases, it would be almost impossible to determine the sender of the catalog if you didn't look closely at the name on the cover or on the order form. Since, in any given field, there is a great similarity of merchandise and pricing (and far too often, the same vendors' photographs are used, and the copy sounds like a direct pick-up from another catalog), the look-alike nature of so many catalogs creates a lack of sales appeal.

However, the tide may be turning. In almost every field, a bellwether company is making an effort to create a truly unique personality, and reports indicate that such efforts are paying off in increased sales.

Exhibit 3-7

THE TYPICAL AMERICAN CATALOG

	Consumer*	Business**	Retail***
	Mail Order	Mail Order	Traffic Building
Format			
8½ x 11	280	87	34
5½ x 8½	117	3	14
Other	103	10	52
Cover			
Merchandise	264	20	70
Pictorial	109	3	24
Image	62	36	2
Montage	55	32	24
Other	10	9	—
Pages	48	54	53
Graphics			
4 Color	377	46	83
Black & White	47	14	6
2 Color	38	27	3
Part Color	38	13	8
Items per page	5	5	7
Order Forms:			
Number — 1	400	71	58
2	84	18	1
3	5	2	—
More	1	1	—
None	10	10	41
Location			
Center	356	43	41
IBC	74	34	5
Other	67	14	13
Lines	10	8	7

(cont'd.)

Exhibit 3-7 ***(cont'd.)***

THE TYPICAL AMERICAN CATALOG

	Consumer*	Business**	Retail***
	Mail Order	**Mail Order**	**Traffic Building**
Shipping & Handling			
By $ of order	203	—	4
Sep. Chg. Each Item	111	2	27
Included in Price	40	7	—
Weight & Distance	22	5	5
Other	93	52	24
Special Charges			
Handling Fee	51	11	3
Insurance Fee	47	—	—
Other	13	6	—
Credit			
Visa	461	53	28
Master Card	461	54	28
Amex	339	32	26
Diners Club	138	10	5
Carte Blanche	75	4	—
House	52	15	68
None	19	27	—
Phone			
800	285	62	36
Paid	143	34	32
None	70	4	32
Envelope			
Part of Order Form	322	43	36
Separate	60	4	6
More than one	10	2	—
Fold & Make Env.	30	2	6
Order Card	1	11	—
None	86	41	52
Postage			
Place Stamp Here	325	20	33
Business Reply	97	39	15

*500 Consumer Catalogs
**100 Business-to-Business Catalogs
***100 Retail Catalogs

State-of-the-Art Research

In 1982, the Business-to-Business Council, in conjunction with DMA's Research Department, forwarded a direct-mail survey to 1,306 of the association's members in an effort to determine the level of sophistication of the business-to-business direct marketer. The survey consisted of 52 questions. Responses (completed questionnaires) totaled 218. The full research report is available to DMA Business-to-Business Council members. Following are a few highlights.

- ***Questions about Objectives and Response Evaluation.*** When asked about the advance determination of specific goals, strategies and budgets of direct marketing efforts, over half (57 percent) of the respondents replied that they almost always did this advance planning. Of the respondents, 28 percent said they did some of the time, but not always. Only ten percent of them claimed to never set goals.

  Again, over half (59 percent) almost always conducted a systematic evaluation of their pre-established goals, while 25 percent said they did so sometimes. Only two percent never evaluate program results.

- ***On Direct Marketing Expenditures.*** When asked what percentage of their advertising budget is accounted for by direct mail expenditures, almost half (41 percent) of the respondents claimed that 50 percent or more of their budget is allocated to mail. Over a third (35 percent) said less than 25 percent of their budget was spent on mail.

Respondents were asked to indicate the previous years' direct mail expenditures by range:

$100+	43%
50–99M	10%
25–49M	7%
5–24M	16%
Under 5M	10%
Not reported	14%

- ***The Effects of Seasonality.*** Thirty-seven percent of the respondents almost always recognize the effect of seasonality on projections or forecasts. Another 35 percent said they sometimes do. When asked to indicate the top three months of the year in terms of responsiveness, the results were:

  Best months: January & September
  Second best: Sept., Oct., Jan., Feb., March
  Third best: Sept., Oct., March

- ***Internal Data Bases and the Use of the Computer.*** When asked if they maintained internal lists, either of customers or prospects, for promotional purposes, the vast majority (83 percent) said yes. Thirty-six percent of the respondents also indicated the size of their internal list to be 50,000 records or more.

  Asked if these lists were maintained on a computer, 76 percent responded positively.

  Over two-thirds of the respondents (68 percent) maintain their lists in-house, while 24 percent use an outside computer service.

- ***Questions On Lead Generation*** When asked how their lead or inquiry programs are managed, 68 percent claimed they are managed centrally by the home office. Only 11 percent said they were managed by individual sales offices.

  Regarding follow-up of leads generated, the majority (46 percent) send literature or follow-up mail. 29 percent turn them directly over to a sales rep, and 13 percent pre-qualify them by phone. Twenty-four percent use a process that includes all three of the above.

Conclusion

In conclusion, the direct marketing process is an important part of the overall marketing effort of most business-to-business marketers. It is a more complex process than consumer direct marketing, primarily because of the nature of the industrial buying decision, the number of decision makers and decision influencers involved, and the wide distribution of the industrial prospect base.

As a strategy, direct marketing requires the construction and maintenance of a database of customers and prospects. The business-to-business marketers who employ the process *as a strategy* and not merely as a short-term advertising tactic are arming themselves with market knowledge for the future and, thus, will be able to compete more effectively. Based on information accumulated from research surveys from 1979 through 1983, it appears that American business marketers are beginning to apply the computer more pervasively in basic areas such as list maintenance and performance evaluation. The next area of advancement may be in refining the art of database management and using computer applications to formulate forecasts and projections for sales and response over the long term. The ultimate objective should be to bring the marketer and buyer (or prospective buyer) closer together to ensure an on-going dialogue and, thus, a relevant, market-driven knowledge base.

4

Consumer Demographics, Psychographics and Behavior

Section I

A Study of Consumer Attitudes and Behavior

by Joseph Castelli
Ogilvy & Mather Direct

Introduction

Direct response marketing has enjoyed explosive growth in the past decade, and the opportunities exist for even greater growth in the future. Here are the conditions that are extremely favorable for the growth of direct marketing:

- More women are working; they have more money to spend, but less time to shop.
- The relatively high cost of gasoline makes it more expensive to drive to stores.
- Parking shortages and traffic congestion make in-store shopping less attractive in urban areas.
- Stores provide less and less personal service.
- The size and complexity of larger stores, with larger crowds and lower inventories, make shopping less pleasant.
- New technology provides ways to present products outside of stores and to order merchandise quickly and easily.

In order to capitalize on this enormous potential, it is important to understand the consumer. Therefore, in November 1978, Ogilvy & Mather Direct conducted a consumer survey to determine their attitudes and behavior regarding direct response. The study was conducted via telephone among 1,500 adults across the U.S.

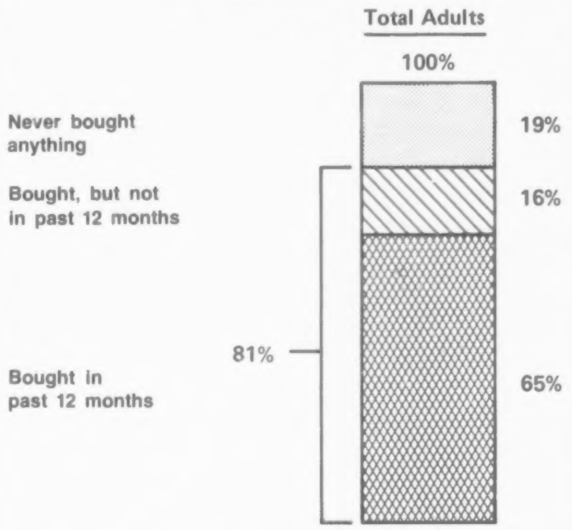
- How many buy through direct response
- What they buy
- Who these buyers are
- How much they spend
- Where the opportunities exist
- What the barriers are to increased growth

Major Findings

The question was how many people had *ever* bought anything through direct response marketing.

It was found that four adults in five had bought something by direct response at one time or another. And nearly two out of three had done so *during the past twelve months*.

Exhibit 4-1
Ever Bought Anything*
Through Direct Marketing:



*Source: Ogilvy & Mather Direct Response Consumer Study, 1978

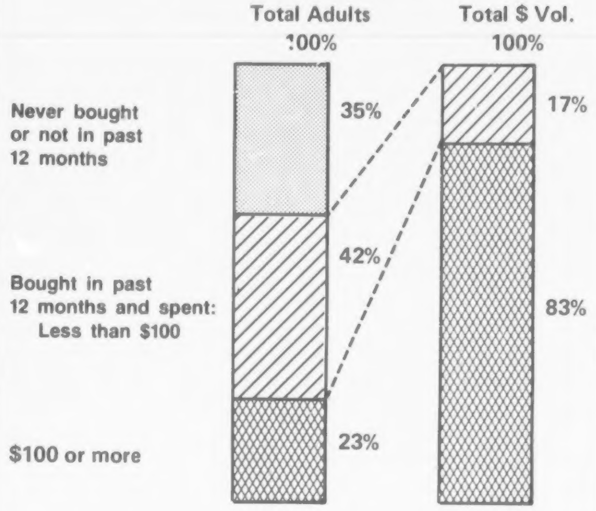
Now let's look at *how many* spend *how much* through direct marketing.

Thirty-five percent either never bought anything via direct response or didn't do so during the last twelve months.

Of the respondents, 42 percent spent *less* than $100 through direct response during the last twelve months, and 23 percent of all adults spent *more* than $100.

Another way of looking at the lower two sections of that first bar: a third of the people who did buy during the year spent *$100 or more*.

Exhibit 4-2
Direct Marketing:
How Much Was Spent*



Now look at the second bar. Those heavy spenders—the 23 percent of all adults who spent $100 or more—account for 83 percent of our total dollar volume.

We are getting 83 percent of our business from just under a fourth of all adults. That's a vivid reminder of the importance of identifying our best prospects and zeroing in on them. (See Exhibit 4-2.)

Our research identified the product categories in which people are most likely to buy via direct response. Here they are in rank order.

Exhibit 4-3
Percent of All Adults Who Bought via Direct Response in Last Year*

	Product Category	
1.	Magazines	54%
2.	Books/book club memberships	33
3.	Shoes, clothing	27
4.	Records, tapes, cassettes	23
5.	Credit cards	22
6.	Seeds, plants, garden supplies	20
7.	Film, film developing	18
8.	Hobby or craft equipment, supplies	14

In each of eight categories, more than ten percent of all adults bought something by direct response during the year. The results indicate that more than half the people buy magazines by direct response, and that a third buy books in this way. We also found that shoes and clothing are bought direct by more than one person in four.

Here are the next 15 categories, in order of importance.

Exhibit 4-3 (cont'd)
Percent of All Adults Who Bought via Direct Response in Last Year*

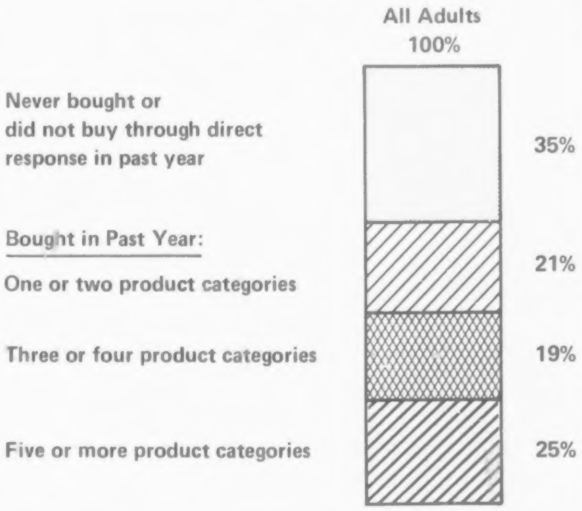
	Product Category	
9.	Housewares	10%
10.	Foods	10
11.	Automotive parts and supplies	10
12.	Sewing or needlework supplies	8
13.	Cosmetics or toiletries	8
14.	Collectors' items (stamps, coins, etc.)	7
15.	Hunting, fishing, camping equipment	6
16.	Sports equipment and supplies	6
17.	Vitamins or health remedies	6
18.	Insurance	5
19.	Home study program	5
20.	Woodworking or metalworking tools and supplies	4
21.	Home furnishings	4
22.	Physical improvement program	3
23.	Hi-fi or stereo equipment	3

We were surprised to find that ten percent of all adults bought *food* by mail during the past year, considering how easy it is to get almost anything you want to eat in a supermarket or in a gourmet shop.

On the other hand, look at categories 15 and 16: Hunting, fishing, and camping equipment—and sports equipment and supplies. Considering the very broad interest in them, it appears that direct marketers are not getting enough business from these categories.

And insurance seems incredibly low at five percent.

Exhibit 4-4
Number of Product Categories Bought in by Direct Response*



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*Source: Ogilvy & Mather Direct Response Consumer Study, 1978

Another way to measure the depth of the market is to ask how many of the people who buy through direct response buy in a number of different categories.

Again we start with 35 percent of all adults who either have never bought anything by direct response or didn't do so during the past year.

The significant figure is at the bottom. The largest single group of customers is the 25 percent who have bought in five or more categories during the year. That's one quarter of *all U.S. adults*.

So, the first thing learned from the research is that direct marketers are right to be bullish about their business. It's a big business; it's growing bigger; and huge numbers of people are willing to spend large amounts of money through direct marketing in many different product categories.

The research also looked for clues to the future to determine what the prospects are for continuing direct response growth—or even for speeding it up.

As discussed at the beginning of this article, there are a number of conditions present today that are favorable to the growth of direct response marketing. Given the presence of these factors, it may be fair to ask why this business is not growing at a faster rate. And here the research gives a few hints.

The most important product categories were looked at, each of them in terms of the percentage who said they prefer to buy that kind of product via direct response, but don't actually do it.

Exhibit 4-5
Percent of All Adults Who Prefer to Buy via Direct Response But Did NOT Buy*

Rank		
1.	Books	6.7%
2.	Collectors' items	6.4
3.	Film/Developing	6.2
4.	Seeds, Garden	5.1
5.	Hobby, Crafts	4.9

Above are the top five categories. They represent unrealized potential. Let's call them "sleepers."

Are those figures high or low? It depends on the category. You can determine this if you take the total percentage of adults who prefer buying the category through direct response and look at what percentage of them are "sleepers." Moving across the top, we see that of the 11.4 percent of adults who *prefer* to buy collectors' items by direct response, 6.4 percent did *not* do so. These "sleepers" represent 56 percent of the adults who prefer to buy collectors' items by mail.

The proportion of "sleepers" is relatively high for several other product categories, namely home study courses, insurance and sports equipment. On the other hand, it is relatively low for books, seeds and garden supplies, and shoes and clothing. These figures provide some clues as to where the opportunities exist for future growth.

Exhibit 4-6
Percent of All Adults Who Prefer Buying the Category by Direct Response*

	Total	But did *not* buy	Did *not* buy as percent of total with preference
Collector's items	11.4%	6.4%	56%
Home study courses	8.1	4.1	51
Insurance	5.9	2.9	49
Sports equipment	7.4	3.4	46
Books	29.7	6.7	23
Seeds, garden supplies	19.1	5.1	27
Shoes, clothing	18.5	2.5	14

Another way of improving your chances for success is to develop a deeper understanding of who represents your target market. People behave differently as consumers, according to their age, their income, the part of the country they live in, their way of life, and so on. This research has given us some sharper insights into some of these differences in behavior.

Let's take income as an example.

Exhibit 4-7
Income Segmentation*

Percent Who Bought via Direct Response
Among Families With:

	Incomes over $25,000	Incomes under $25,000	Ratio
Home furnishings	8%	3%	2.7:1
Sports equipment	9	5	1.8:1
Food	15	9	1.7:1
Credit card	31	20	1.6:1
Auto parts and supplies	14	9	1.6:1
Books/book club membership	43	31	1.4:1

Look at the large differences in purchasing patterns between families with incomes *over* $25,000 and those with incomes *under* $25,000. The high income families are nearly three times more likely to buy *home furnishings* by direct response and nearly twice as likely to buy *sports equipment* and *food* by direct response.

In other categories, *age* is a key factor.

Exhibit 4-8
Age Segmentation*

Percent Who Bought via Direct Response
Among People Who Are:

	Under 35	Over 35	Ratio
Home study programs	7%	3%	2.3:1
Film or film developing	23	13	1.8:1
Cosmetics or toiletries	11	6	1.8:1

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*Source: Ogilvy & Mather Direct Response Consumer Study, 1978

People under 35 are *more than twice* as likely to buy home study programs by direct response, and *nearly* twice as likely to purchase film and film processing or cosmetics and toiletries via direct mail.

While these particular figures may not surprise you, they at least reconfirm the importance of knowing how old your best prospects are.

Sometimes geography is what counts.

Exhibit 4-9
Geographic Segmentation*

Percent Who Bought via Direct Response Among People Living in:

	Western Region	Remainder U.S.	Ratio
Insurance	9%	4%	2.2:1
Vitamins/health remedies	9	5	1.8:1

Twice as many Westerners buy insurance by direct response as the rest of us—and then, to make sure they don't have to collect on it, they send off for twice as many vitamins and health products!

Also analyzed were the results in terms of consumer life-styles—or "shopping styles."

The study revealed that the population can be divided into four kinds of shoppers, with sharply different shopping habits.

Segment number one is called the "shopping for pleasure" group.

Segment two, the "conservative shopper."

Segment three, "the impulse buyer."

Segment four, "difficult to get to the store."

To grasp the differences among these segments, it helps to have an idea of how they were sorted out, and who is *in* them.

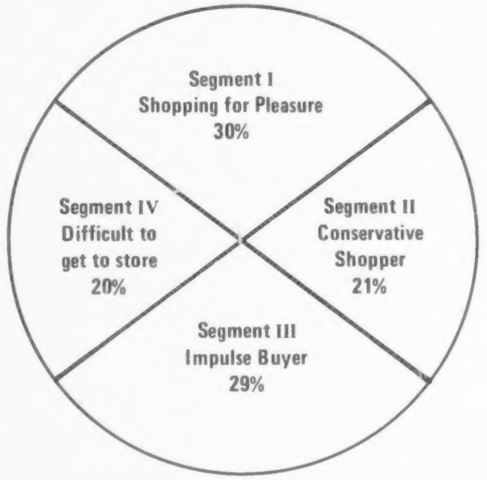
When interviewing these people on the telephone, one of the things conveyed to them was:

Here are some descriptions of people. For each one, please indicate if it describes you very well, somewhat, or not too well.

And here are a few of those descriptions:

1. *I try to buy gifts ahead of time so I don't have to shop at the last minute.*
2. *I try to compare prices before I buy.*
3. *I often buy things on impulse.*
4. *I like to buy from people who come to my home.*
5. *I enjoy browsing through stores.*
6. *I look forward to the mail every day.*

Exhibit 4-10
Life-Style Segmentation
Total U.S. Population*



Altogether there were 16 descriptions like that. The responses were put through what statisticians call a "cluster analysis" which revealed that the population clustered into four distinct groups.

For example, take those people who said that "I try to compare prices before I buy," described themselves very well. As a group, they shared in common a tendency to favor the same four or five descriptions. These descriptions seemed to add up to a portrait of a *conservative shopper*.

By contrast, the people who said that "I often buy things on impulse" described them well, tended to give high marks to a completely different set of descriptions—a set that was consistent with a picture of an "impulse buyer."

The same sort of thing applied to the other groups. In all four cases, the label was put on *after* the computer lumped together a cluster of descriptions. The computer's "cluster analysis" identified the four groups; all O&M did was name them. There are large variations in potential for direct response among these groups.

Exhibit 4-11
Segmentation By Lifestyle*

Percent of Adults Who Bought via Direct Response in:

Category	Best Segment Lifestyle	Percent	Worst Segment Lifestyle	Percent	Ratio:1
Shoes & Clothing	"Difficult"	35	"Conservative"	18	1.9
Records, Tapes	"Impulse"	31	"Conservative"	16	1.9
Hobby, Crafts	"Difficult"	21	"Conservative"	7	3.0
Collectors	"Impulse"	9	"Conservative"	3	3.0
Physical improvement program	"Difficult"	6	"Conservative"	2	3.0

*Source: Ogilvy & Mather Direct Response, November 1978

Exhibit 4-11 compares the percent of all adults who buy by direct response in the *best* of the four segments (from our point of view) with the percent buying in the worst.

- Thirty-five percent of those in the "difficult to get to the store" group bought shoes or clothing by mail, against only 18 percent of the conservative shoppers.
- Impulse buyers sent away for nearly twice as many records and tapes as did conservative shoppers.
- Advantages of nearly two to one. And the edge is *three* to one in the other categories.

In this group of product categories, the same two segments show up again and again as "best"—and a single segment as "worst" in all of them. Here's a closer look at one of the two "best" segments—impulse buyers.

There are 15 categories in which direct response marketing sales are significant. The impulse buyer ranks above average in nine of them. If your business is in records and tapes, you're 33 percent more likely to get an order from an impulse buyer than from somebody chosen at random from the other segments, 28 percent more likely if you sell collectors' items, 21 percent more likely if you sell foods.

Exhibit 4-12
The Impulse Buyer Ranks Above Average in Nine Categories

	Index v/s U.S. Average
Records, Tapes	+33%
Collectors' items	+28
Foods	+21
Credit cards	+16
Automotive supplies	+15
Cosmetics	+11
Books	+ 8
Magazines	+ 8
Vitamins	+ 4

Source: Ogilvy & Mather Direct Response, November 1978

The implications are obvious for planning your programs if your business is in these categories. You'd be smart to find out more about the impulse buyer—who she is (or he), what makes her tick, and so on.

If your business is *not* in these categories, you have to look for your edge elsewhere. This kind of research—segmentation by life-style—can point the way.

The potential value of life-style segmentation is immense. What we've shown here is just the tip of the iceberg. For example, wouldn't it be terrific if we could screen people according to their life-style segments *before* we send out our mailings?

Besides determining where the best opportunities for future growth exist and identifying our target market, we should look at what consumers are telling us. For example, in the O&M study, people were asked what would get them to buy *more* through direct response. (Exhibit 4-13) These consumers are trying to tell us something. More precisely, they are confirming something we certainly already know.

Exhibit 4-13
Consumers would Buy More via Direct Response if:

	Percent of all adults
1. They could be sure they would get what they expected.	79%
2. Offers were from companies they could trust.	78%
3. They were offered things they couldn't buy close to home.	77%
4. It were easier to return merchandise.	77%
5. They were given a money-back guarantee.	75%
6. The prices were lower.	75%
7. They were offered things that interest them.	71%
8. They were sent a receipt or confirmation of order.	70%
9. It were easier to get problems straightened out.	69%
10. The offers were from a well-known company.	64%
11. They were offered a free trial period to examine order.	61%
12. They were billed after order was received.	59%
13. They could pay over a period of time.	43%
14. They could use their credit card.	40%
15. They were given a charge account.	28%

Source: Ogilvy & Mather Direct Response, November 1978.

All the statements that have to do with "*trust*" in one way or another have been placed in a box. The top two—and those are huge numbers at the top, three of the top four, and five of the top eight all touch on "*trust*" in one way or another.

Only *one* of the top eight concerns *price*.

By contrast, all four at the *bottom* have to do with more convenient methods of paying.

In recent years the industry has worked very diligently in its efforts to build trust. The DMA Ethics Committee has made great progress toward establishing and enforcing standards. And, so many others have done so much. But evidently we aren't getting through to the customers. At least we aren't getting through *enough*, to enough of them.

The fact remains that the single most productive thing we can do is build trust.

Summary

- Our growth patterns appear healthy.
- To grow *faster*, we should determine who our best prospects are, and *where* they live.
- We should find ways to build *trust*.

Section II

Mail Order Usage Incidence by Product Type

(From Data Made Available by Simmons Market Research Bureau, Inc.)

Demographics gathered through personal interviews; product usage, and buying behavior gathered through self-administered questionnaires. This syndicated study is based on a stratified multi-stage area probability sample of 19,035 adults (18 and older).

Exhibit 4-14a

Percent Ordering Mail Order Items in Past 12 Months

	Total U.S. (000)	Any Product	Cook Books	Book Club Books	Cosmetics	Records	Magazines	Photo Processing	Fruit Cheese Specialty Foods	Clothing
Total Adults	161,656	37.2	2.1	4.9	2.3	5.1	15.1	3.1	1.7	13.6
Males	76,155	31.3	0.8	3.7	0.7	4.5	11.9	2.0	1.2	8.9
Females	85,500	42.5	3.3	6.0	3.6	5.5	17.8	4.0	2.3	17.8
18-24	28,444	33.3	1.1	4.5	2.2	5.9	11.7	2.7	0.8	8.2
25-34	37,754	42.6	2.7	7.4	2.7	4.9	19.0	4.1	1.8	14.7
35-44	26,345	44.0	2.1	5.8	3.9	7.6	18.2	4.0	1.9	16.0
45-54	22,608	38.5	3.2	4.7	2.3	5.6	17.9	2.9	2.9	16.9
55-64	21,811	36.3	2.4	3.6	1.4	3.9	12.7	2.9	1.9	14.7
65 or older	24,695	25.9	1.2	1.7	0.7	2.6	8.8	1.2	1.7	11.6
Graduated College	24,791	48.2	2.1	7.7	2.0	6.2	21.5	4.7	3.2	17.4
Attended College	26,991	44.1	2.4	6.0	3.0	6.1	19.9	3.5	1.9	15.8
Graduated High School	63,660	38.6	2.3	5.2	2.6	5.6	15.5	3.4	1.6	14.1
Did Not Graduate High School	46,214	25.3	1.6	2.2	1.5	3.3	8.1	1.5	1.0	9.4
Professional Manager	29,830	47.4	2.3	7.4	1.7	6.8	21.6	4.1	2.2	16.5
Clerical Sales	24,092	45.7	2.9	6.2	3.7	7.1	18.1	3.9	2.3	18.3
Craftsmen Foremen	12,761	30.8	0.6	3.5	0.8	5.1	11.6	1.5	1.0	8.2
Other Employed	10,917	32.4	1.8	3.7	2.1	4.9	12.2	3.0	1.2	11.3
Single	32,887	32.8	1.0	4.1	1.9	6.1	12.2	2.2	1.5	9.2
Married	101,289	40.3	2.5	5.3	2.5	5.0	16.9	3.7	1.9	15.5
Divorced/Separated or Widowed	27,479	31.1	1.9	4.4	1.9	4.6	11.6	1.8	1.7	12.1
Parents	58,160	42.6	2.6	6.8	3.3	6.1	17.9	4.2	1.6	16.2
Northeast	37,616	35.3	1.5	4.7	2.3	5.2	14.8	4.8	2.1	13.4
East Central	24,579	40.7	2.2	5.1	1.6	5.3	16.7	4.1	1.8	17.1
West Central	27,875	41.3	2.0	5.9	2.2	6.3	14.6	2.7	2.0	16.2
South	46,830	33.1	2.0	4.0	2.0	4.1	12.5	1.8	1.1	11.0
Pacific	24,755	39.7	3.3	5.3	3.4	5.5	18.9	2.4	2.1	6.5

Source: Simmons Market Research Bureau; 1982 Study of Media and Markets.

(cont'd)

Exhibit 4-14a *(cont'd)*

Percent Ordering Mail Order Items in Past 12 Months

	Needlecraft Kits Supplies	Tools	Cookware, Kitchen Accessories	Trees, Plants, Seeds	Auto Accessories	Other Books	Insurance	Investment Information	Shoes & Boots	Audio Cassette Tapes
Total Adults	2.5	1.9	2.2	4.2	2.9	3.9	1.2	1.5	4.2	2.0
Males	0.6	2.9	1.2	3.4	4.3	3.3	1.0	2.0	3.1	1.8
Females	4.2	1.0	3.0	5.0	1.8	4.3	1.4	1.1	5.2	2.2
18-24	1.3	1.5	1.9	2.2	2.9	3.1	0.6	0.7	2.0	3.4
25-34	2.8	1.5	2.1	4.2	3.3	4.6	1.0	1.7	3.7	2.1
35-44	2.6	3.4	2.4	6.2	4.6	4.5	1.2	1.9	5.1	1.7
45-54	3.3	2.3	3.0	5.4	2.9	4.2	2.5	1.9	5.9	2.3
55-64	3.4	1.5	2.0	4.8	2.5	3.7	1.3	2.1	5.0	1.5
65 or older	1.8	1.1	1.8	3.1	1.1	2.7	0.9	0.7	4.3	1.1
Graduated College	2.9	2.8	2.1	6.4	4.0	7.3	1.6	3.9	4.3	2.5
Attended College	2.6	2.7	2.6	5.2	4.5	4.1	1.3	2.2	5.9	2.4
Graduated High School	3.2	1.7	2.2	4.3	2.3	3.7	1.1	1.1	4.4	2.3
Did not Graduate High School	1.3	1.2	1.9	2.4	2.2	2.1	1.0	0.3	3.0	1.2
Professional Manager	2.5	2.7	2.1	7.3	3.6	6.4	1.2	3.5	5.2	2.8
Clerical Sales	3.2	1.2	2.1	3.7	2.5	3.3	1.1	1.2	5.1	2.2
Craftsmen Foremen	0.4	3.3	0.9	3.4	5.9	2.4	0.6	2.1	2.3	1.0
Other Employed	1.8	1.9	2.0	3.5	3.1	2.8	1.2	0.9	3.2	2.1
Single	1.3	1.5	1.5	2.8	3.4	4.4	0.7	1.2	2.1	3.4
Married	3.1	2.3	2.3	5.2	3.0	3.8	1.4	1.7	5.1	1.7
Divorced, Separated or Widowed	1.8	0.5	2.4	2.5	2.2	3.6	1.2	1.2	3.8	1.8
Parents	2.9	2.2	2.2	4.9	3.4	4.0	1.1	1.3	4.2	2.1
Northeast	2.4	1.7	2.3	4.5	2.6	4.0	0.6	1.8	3.9	2.0
East Central	2.3	2.3	2.2	5.5	2.8	3.9	1.2	1.2	5.3	2.0
West Central	5.9	2.4	2.0	5.4	3.6	4.4	1.5	1.4	3.9	1.8
South	1.5	1.5	1.7	3.1	2.3	3.1	1.1	1.2	4.5	1.5
Pacific	3.3	1.9	3.0	3.4	4.1	4.4	2.0	2.0	3.5	3.3

Source: Simmons Market Research Bureau; 1982 Study of Media and Markets.

Exhibit 4-14b

Percent Ordering Mail Order Items in Past 12 Months

	Total U.S. (000)	Any Product	Cook Books	Book Club Books	Cosmetics	Records	Magazines	Photo Processing	Fruit, Cheese, Specialty Foods	Clothing
Metro Central City	48,508	34.3	2.1	4.4	1.8	4.3	14.8	1.7	1.8	11.5
Metro Suburban	73,224	38.6	2.4	5.7	2.8	5.7	16.1	3.5	1.8	13.6
Non-Metro	39,924	38.1	1.6	4.1	1.9	5.0	13.2	4.0	1.7	16.1
Head of Household										
Income $30,000 z	46,647	46.3	2.8	7.1	2.1	7.1	19.8	4.1	2.5	17.3
$25,000 z	64,064	45.0	2.5	6.7	2.5	7.0	18.7	3.9	2.6	17.2
$20,000-$24,999	20,254	37.9	2.0	4.4	3.0	3.8	18.1	3.9	1.3	14.4
$15,000-$19,999	18,228	38.9	2.9	3.8	2.9	4.1	14.5	4.0	1.2	14.3
$10,000-$14,999	26,333	31.1	1.7	2.7	2.1	3.5	12.7	2.2	1.2	10.0
Under $10,000	32,777	25.5	1.3	4.0	1.2	4.0	8.4	1.2	1.1	8.5
Household of:										
1 Person	19,138	27.8	1.9	3.7	1.4	4.2	12.6	1.4	2.1	10.8
2 People	50,784	38.5	2.3	4.1	1.9	4.6	15.4	2.8	2.0	13.3
3 or 4 People	68,086	39.4	2.0	5.7	2.8	5.8	16.0	3.8	1.7	14.2
5 or More Poeple	28,667	39.8	2.1	5.2	2.4	5.4	13.8	3.3	1.1	14.4
No Child in Home	92,029	34.8	2.0	3.8	1.6	4.4	13.9	2.5	1.9	12.5
Children Under 2 yrs.	12,039	42.4	1.8	6.3	2.2	3.9	15.2	5.1	1.1	14.0
2-5 yrs.	24,124	41.5	2.7	8.1	3.1	5.2	16.2	4.2	1.2	13.2
6-11 yrs.	31,209	41.9	2.8	7.0	3.3	6.6	17.1	3.5	1.6	16.6
12-17 yrs.	34,687	39.5	2.1	5.1	3.3	6.5	16.2	3.4	1.5	15.6
Residence Owned										
Value:	117,481	39.9	2.3	5.0	2.3	5.4	16.0	3.2	2.0	15.6
$50,000 z	63,371	42.3	2.9	5.8	2.5	6.1	18.2	3.2	2.3	15.0
$50,000 x	54,111	37.1	1.6	4.1	2.1	4.7	13.3	3.2	1.6	15.2

Source: Simmons Market Research Bureau; 1982 Study of Media and Markets.

(cont'd)

Exhibit 4-14b *(cont'd)*

Percent Ordering Mail Order Items in Past 12 Months

	Needlecraft Kits, Supplies	Tools	Cookware, Kitchen Accessories	Trees, Plants, Seeds	Auto Accessories	Other Books	Insurance	Investment Information	Shoes or Boots	Audio Cassette Tapes
Metro Central City	1.9	1.1	1.8	3.0	2.1	3.6	1.0	1.3	3.2	1.8
Metro Suburban	2.7	2.2	2.4	4.4	3.6	4.3	1.4	1.8	4.3	2.4
Non-Metro	2.7	3.2	2.2	5.5	2.8	3.4	1.1	1.2	5.2	1.7
Head of Household										
Income $30,000+	3.6	2.6	2.4	6.2	5.3	4.8	1.2	2.9	4.9	2.7
$25,000 z	3.2	2.5	2.5	5.6	4.6	4.9	1.4	2.5	4.6	2.6
$20,000-$24,999	2.9	2.1	2.4	4.3	1.8	4.1	1.0	1.6	4.0	1.3
$15,000-$19,999	3.0	2.1	1.9	4.7	2.9	4.1	1.0	1.4	5.9	2.2
$10,000-$14,999	1.8	1.3	1.9	2.8	1.8	3.5	1.3	0.6	4.1	1.7
Under $10,000	1.1	0.9	1.7	2.4	1.3	1.8	1.0	0.2	2.7	1.5
Household of:										
1 Person	2.0	0.9	2.2	2.1	2.1	3.7	1.2	0.7	3.0	1.4
2 People	2.5	2.1	2.3	5.1	2.6	3.8	1.4	1.9	5.1	1.3
3 or 4 People	2.8	1.9	2.3	4.1	3.2	3.8	1.1	1.5	4.2	2.3
5 or More People	2.1	2.0	1.6	4.4	3.5	4.2	1.1	1.4	3.5	3.3
No Child In Home	2.4	1.8	2.3	4.1	2.8	3.8	1.3	1.6	4.6	1.8
Children Under 2 yrs.	2.5	1.4	3.3	3.9	2.2	3.5	1.6	0.7	1.5	2.7
2-5 yrs.	2.5	1.1	1.8	4.4	2.0	3.9	0.8	1.3	3.2	1.9
6-11 yrs.	2.7	2.0	1.8	5.0	2.5	3.7	1.1	1.3	4.1	2.5
12-17 yrs.	2.5	2.4	2.0	4.7	4.3	4.0	1.1	1.5	4.6	2.5
Residence Owned										
Value:	2.9	2.2	2.2	5.1	3.2	4.1	1.3	1.7	4.6	2.1
$50,000 z	3.1	2.2	2.2	5.5	3.7	4.5	1.2	2.2	4.7	2.3
$50,000 x	2.7	2.3	2.2	4.6	2.5	3.6	1.4	1.1	4.5	1.7

Source: Simmons Market Research Bureau; 1982 Study of Media and Markets.

Section III

Markets: Changing Times

by Rose Harper
The Kleid Company

Every business requires a market, a demand for its product or service. A market is a population group, an industry, a geographical unit—an audience—with the authority, ability and propensity to buy.

Market research is essential in order to provide the facts about a potential market which can be input into the decision making process. Market Research is the gathering and analysis of data relating to consumer preferences, purchasing power and needs.

Frequently, the terms Sales and Marketing are linked—but their potentials are quite different. Any product's *Market* Potential is the total of the potential of the product category: if toothpaste, for example, the Market Potential is everyone with teeth. *Sales* Potential, though, is the *share* of the total market that a product can reasonably hope to capture.

Analyzing and defining the *target* market is what marketing is all about—whether we're selling business-to-consumer or business-to-business. And we can only do it effectively if we keep on top of the changes—and trends—that influence our marketplace and organize a marketing strategy responsive to the changing market.

In the consumer market (not only direct response, but any business selling to consumers), the traditional backbone of market research is Demography.

Demography is the statistical study of human populations, especially with reference to size, density, distribution and other external statistics. With this traditional approach, we profile our potential customers in terms of sex, age, marital status, family size, education, income, occupation, home ownership, etc.—based on the predominating characteristics of the "unit" under study. As technology developed, the geographical unit under study was redefined to cover smaller units such as census tracts or block groups. The smaller the unit, obviously, the more precise the demography.

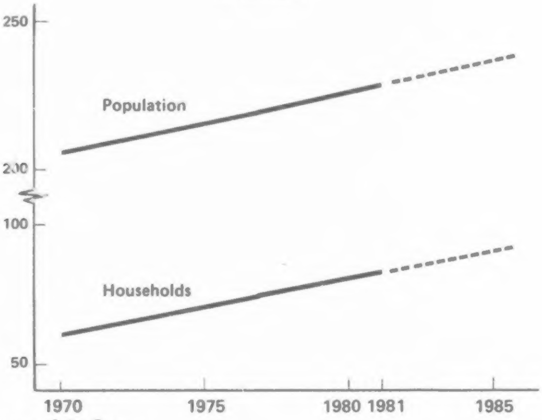
With mathematical techniques—such as regression analysis—it is possible to determine the special combination of demographic factors to be found in our ideal customer. Further, the total potential universe can be calculated by matching this profile against the demographics of the national population. Product development itself usually starts with a profile: determining that a profitable market *exists* and can be reached and sold on a cost-effective basis.

The most apparent gap in the use of demographics is the lack of psychographic information. *Psychographics* suggest that people should be segmented into their preferences—the way they live—thus adding a new dimension to marketing concepts. The situation is this: *where* people live, even how much money they may earn, does not matter as much as *how* they live. In the last 20 years (approximately), new societal trends and values have shaped a new society.

Attitudes have changed. Attitudes about mortality and authority have changed. More balanced lives are evident requirements: Interest in health and physical well-being, new forms of recreation, material success, *but* not at the expense of self-fulfillment and individual potential.

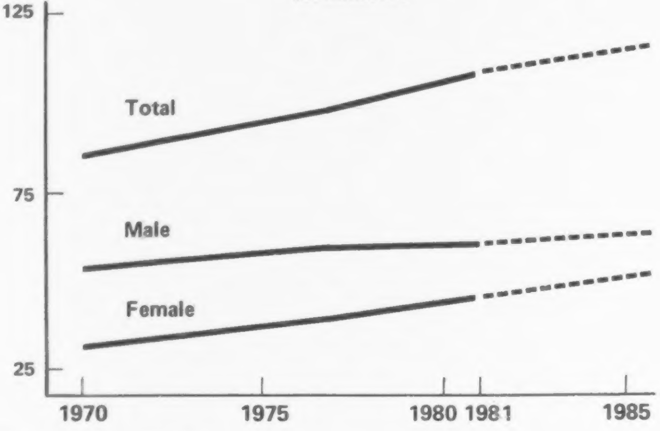
Markets today, then, can't be isolated by demographics alone. The profile must be extended to include psychographics in order to understand how lifestyles and attitudes define and segment our market.

Exhibit 4-15
Population and Households
(in millions)



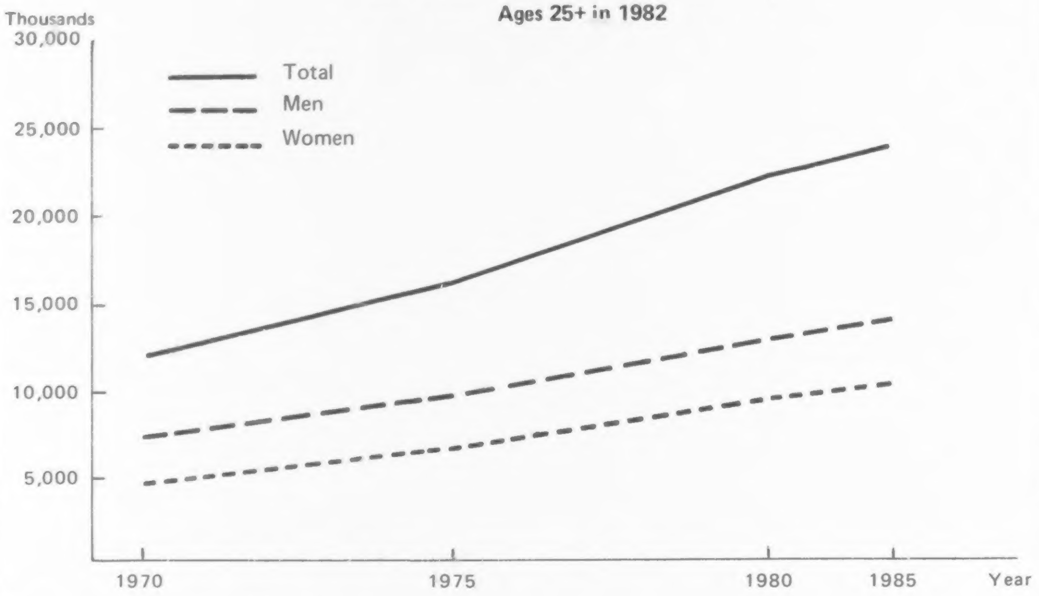
Source: U.S. Bureau of the Census

Exhibit 4-16
Labor Force
(in millions)



Source: U.S. Bureau of Labor Statistics

Exhibit 4-17
College Educated Adults (in thousands)
Ages 25+ in 1982



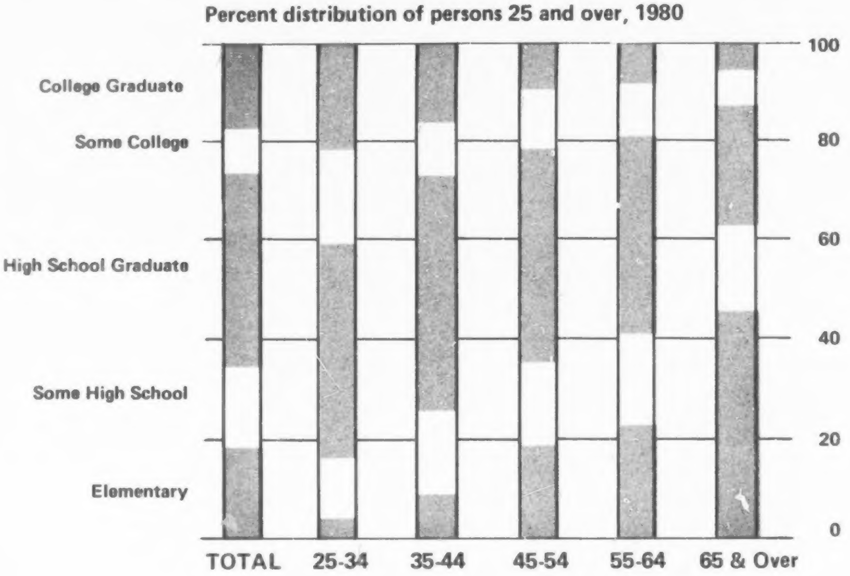
Source: U.S. Dept. of Health and Human Services, 1983.

Exhibit 4-18
Income by Age of Household Head

	Under 25	25-34	35-44	45-54	55-64	Over 64
Households (in millions)	6.4	19.2	14.5	12.7	12.7	16.9
Persons per household	2.23	2.94	3.66	3.26	2.32	1.72
Ave. household income	$14,227	$20,713	$26,052	$28,169	$23,504	$12,628
Distribution of households	7.8%	23.3%	17.6%	15.4%	15.4%	20.5%
Distribution of income	5.3%	22.9%	21.7%	20.6%	17.2%	12.3%

Source: Consumer Research Center of the Conference Board.

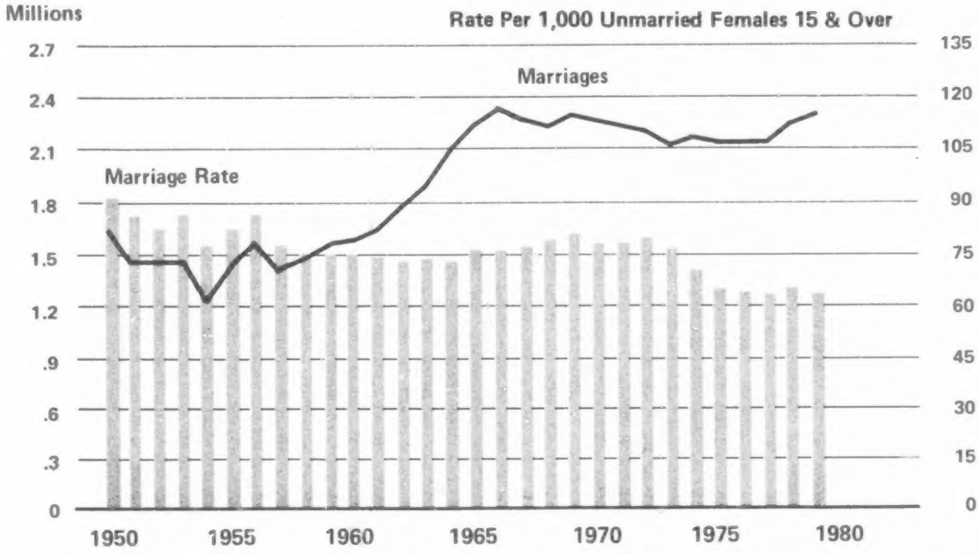
Exhibit 4-19
Education by Age



Source:
The Conference Board

Younger people have generally received more education than older people, but the disparity is not as great as it once was.

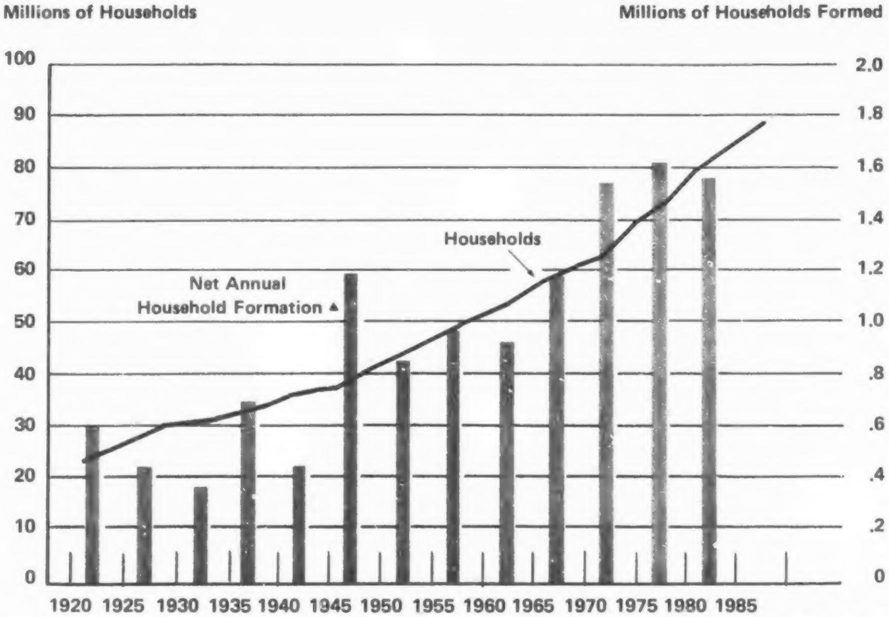
Exhibit 4-20
Marriages and Marriage Rates



The marriage rate is at its lowest in decades and the number of marriages has been relatively steady since 1965.

Source: U.S. Dept. of Health & Human Services

Exhibit 4-21
Households and Household Formation

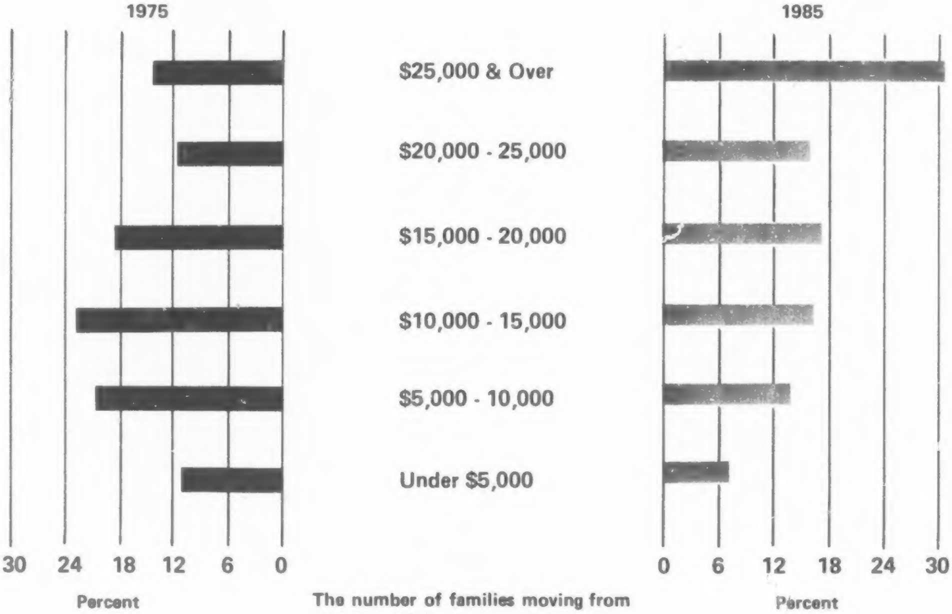


▲ Annual Average Based on Five-Year Period

While the rapid increase in household formation should stabilize in the 1980s, total households will continue to grow at 1.5 million annually.

Source: U.S. Dept. of Health & Human Services

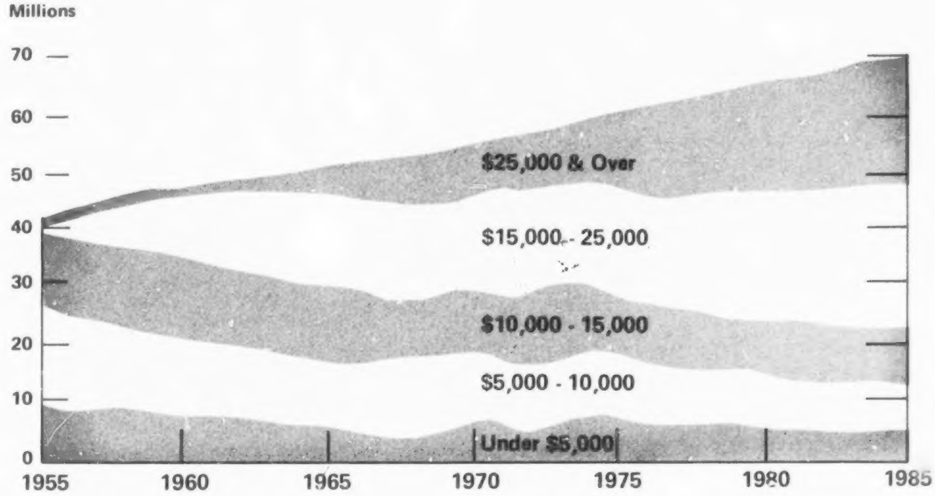
Exhibit 4-22
Families



The number of families moving from middle to higher incomes is increasing faster than the number of families moving from low to middle incomes.

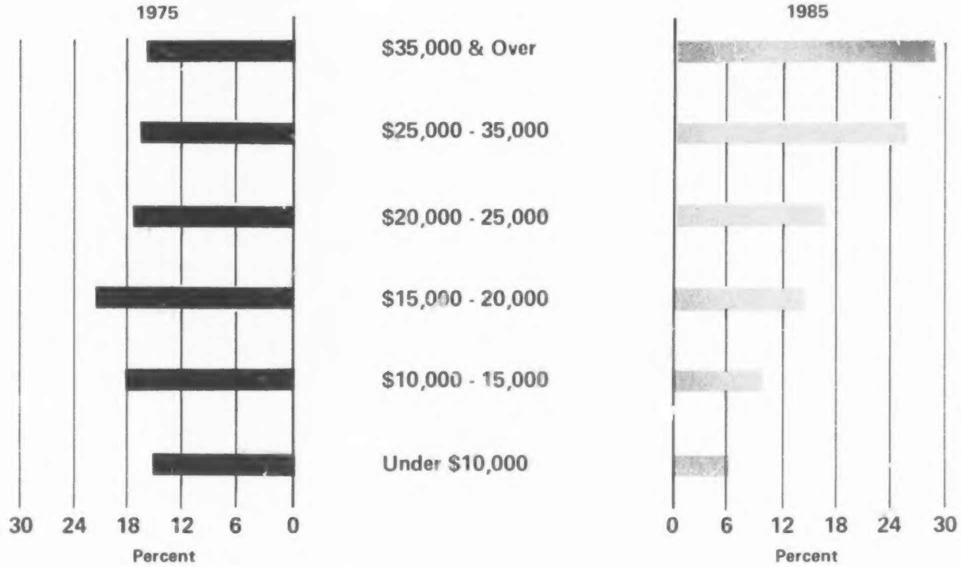
Source: The Conference Board

Exhibit 4-23
Families by Income Class
Based on 1981 dollars



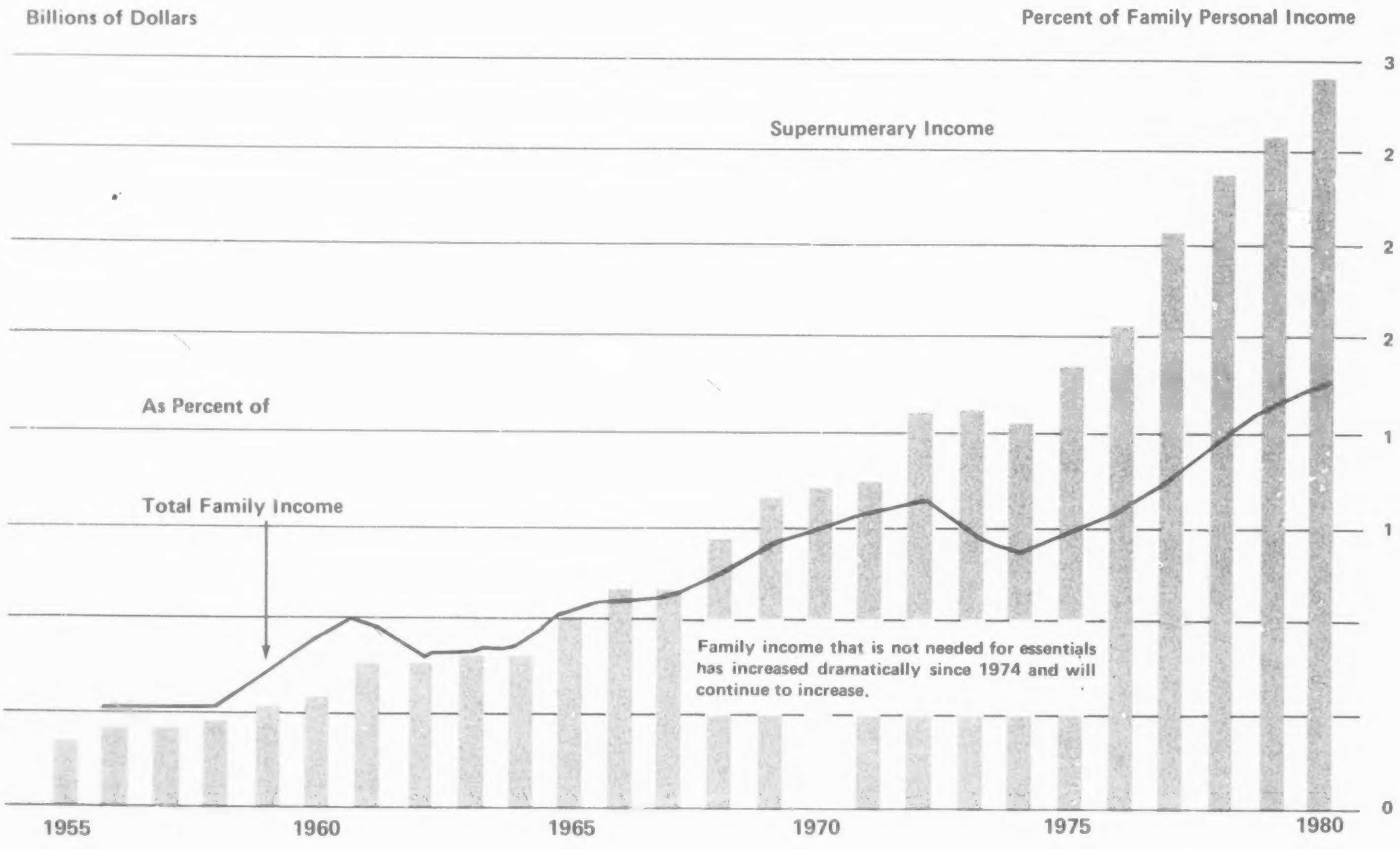
Source: U.S. Dept. of Health & Human Services

Exhibit 4-24
Income
Percent distribution of family income based on 1975 dollars



Source: U.S. Dept. of Health & Human Services

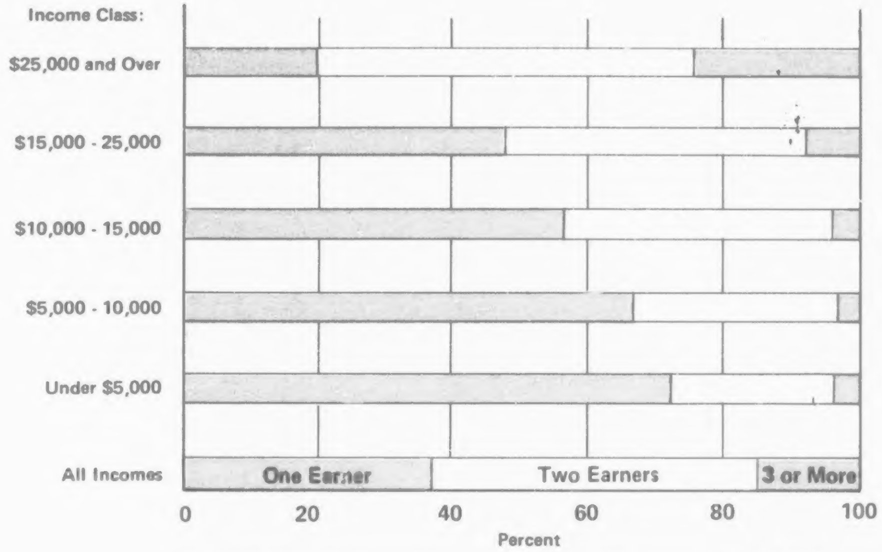
Exhibit 4-25
After-Tax Family Incomes



Source: The Conference Board

Exhibit 4-26
Multi-earner Families

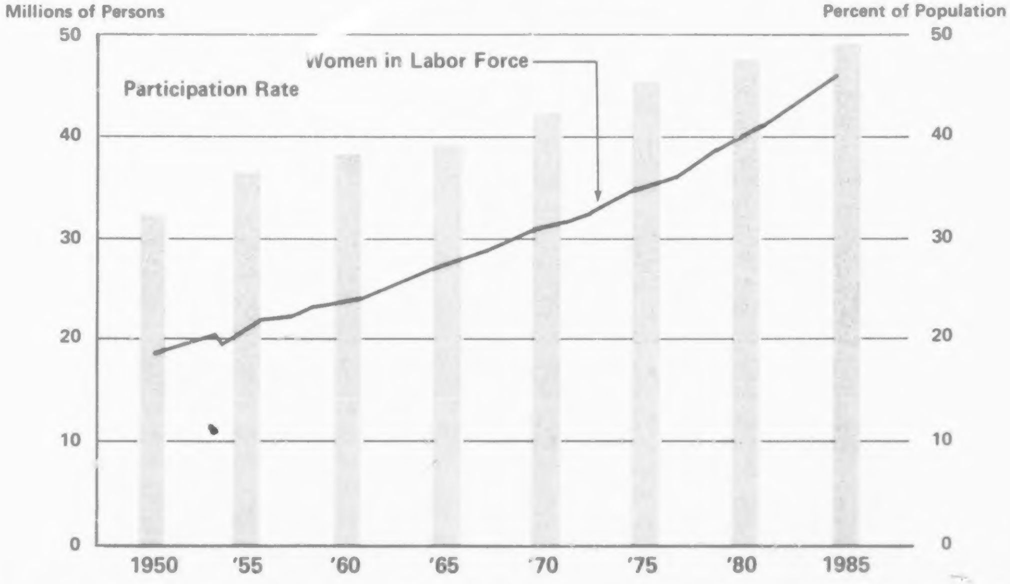
Total, each income class, 1981 = 100%



Multiple earners are primarily responsible for family incomes over $15,000 annually.

Source: U.S. Dept. of Health & Human Services

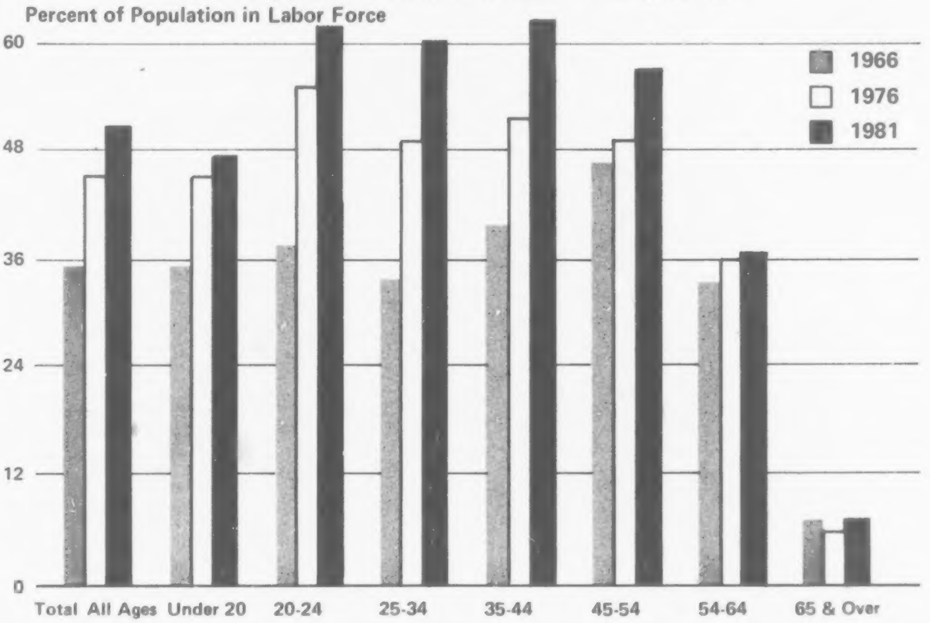
Exhibit 4-27
Women in the Labor Force



The share of women working outside of the home is increasing and rapidly approaching 50%.

Source: U.S. Bureau of Labor Statistics

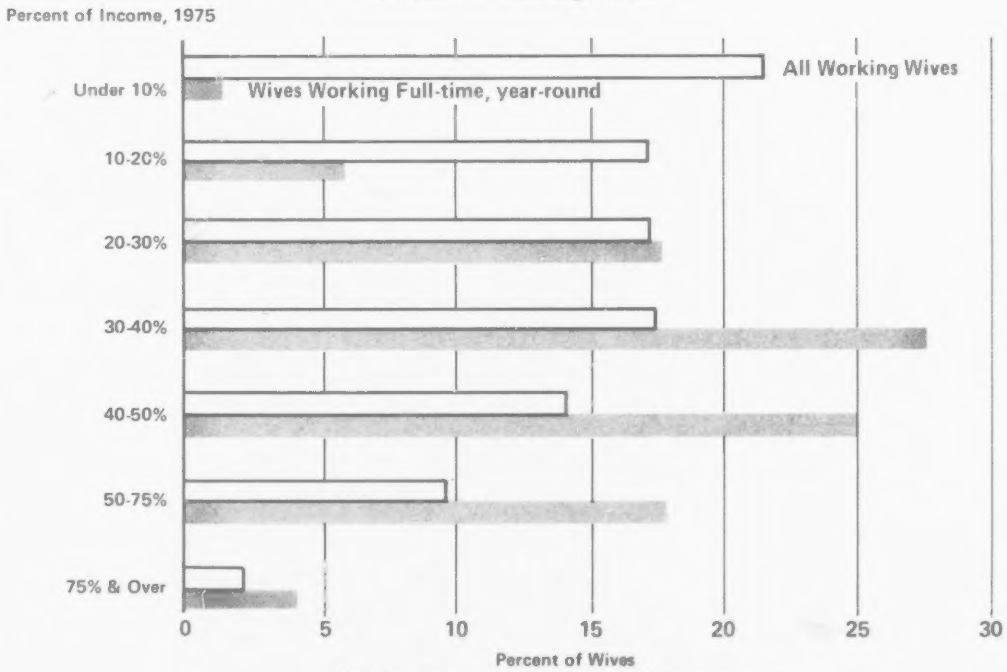
Exhibit 4-28
The Proportion of Married Women Working by Age



While more women of almost all ages are working, the greatest increases are for women 20-44.

Source: U.S. Bureau of Labor Statistics

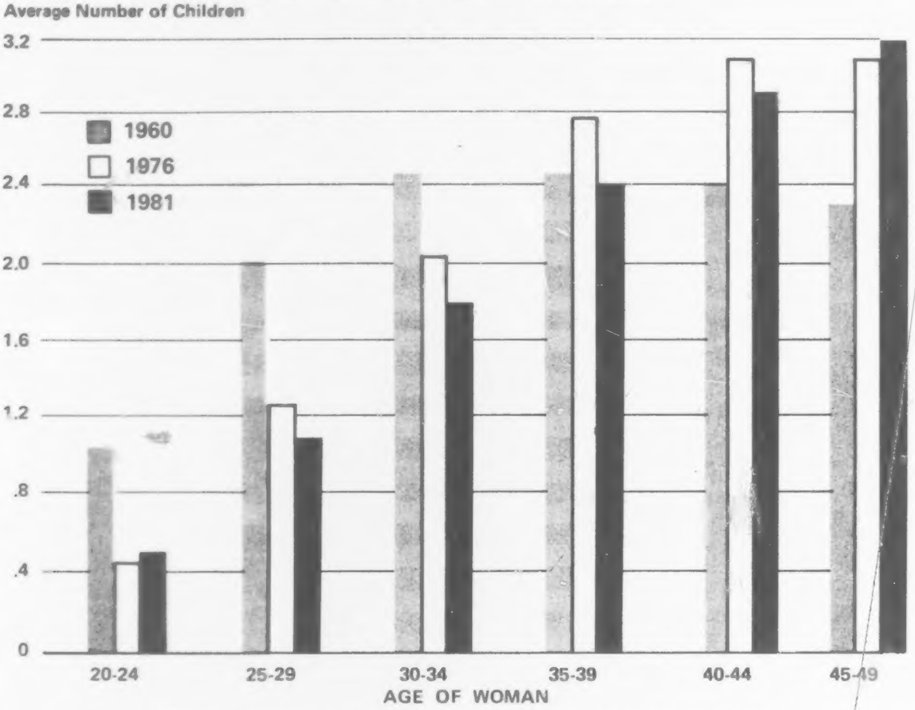
Exhibit 4-29
Income of Working Wives



Working wives are responsible for large percentages of the family's income, with at least 50% of them contributing over 30% of the family's income.

Source: The Conference Board

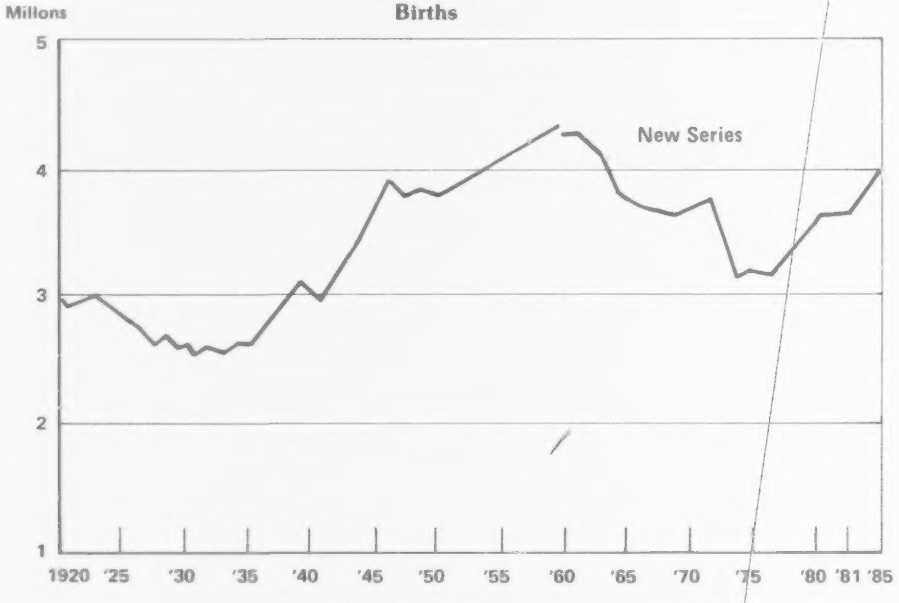
Exhibit 4-30
Average Births By Female Age Groups



Women are postponing their families—having their children at a later age.

Source: U.S. Dept. of Health & Human Services

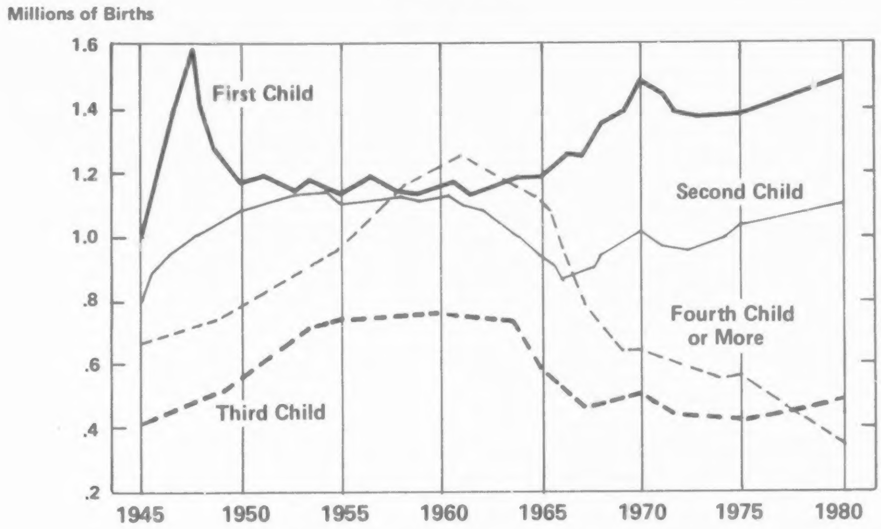
Exhibit 4-31
Births



Until 1959, adjusted to HEW assumption of under-registration. In 1959, and succeeding years, not adjusted; registered births only.

Source: U.S. Dept. of Health & Human Services

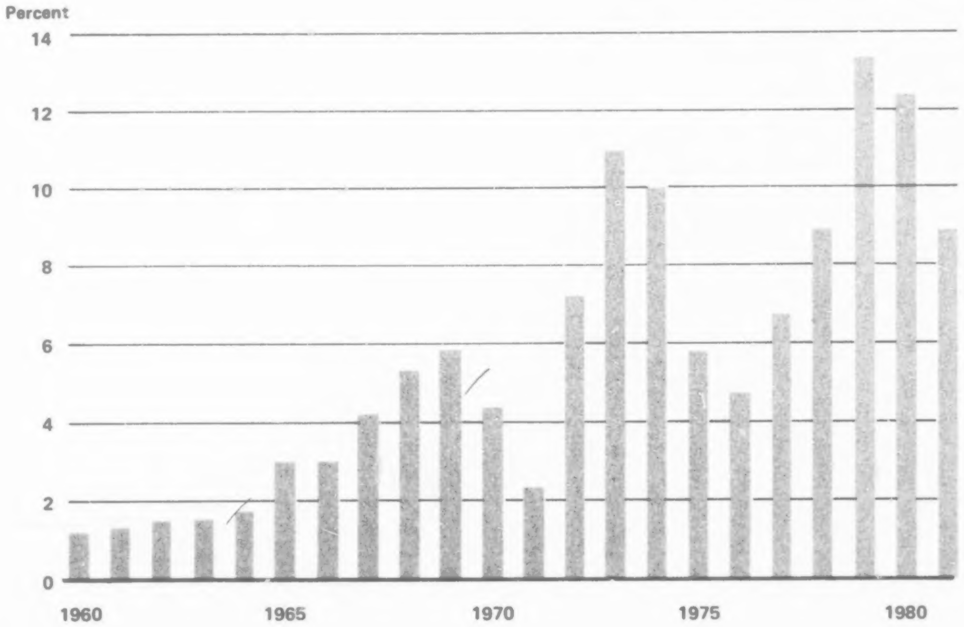
Exhibit 4-32
Birth Order



High order births (three or more children are declining), but first and second order births are more stable.

Source: U.S. Dept. of Health & Human Services

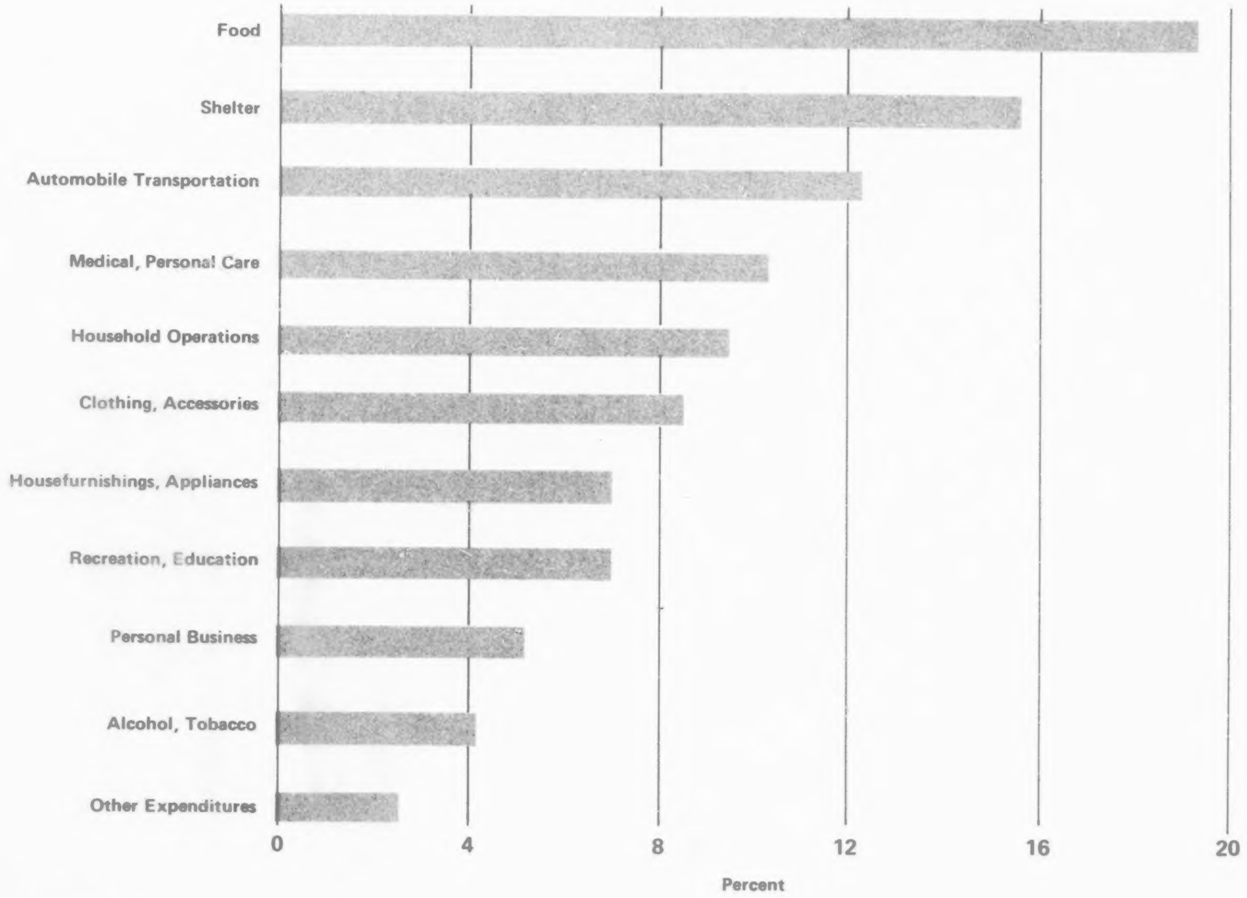
Exhibit 4-33
Rate of Inflation
Annual Percent Change in Consumer Price Index



Since 1970, inflation has averaged 6.8%

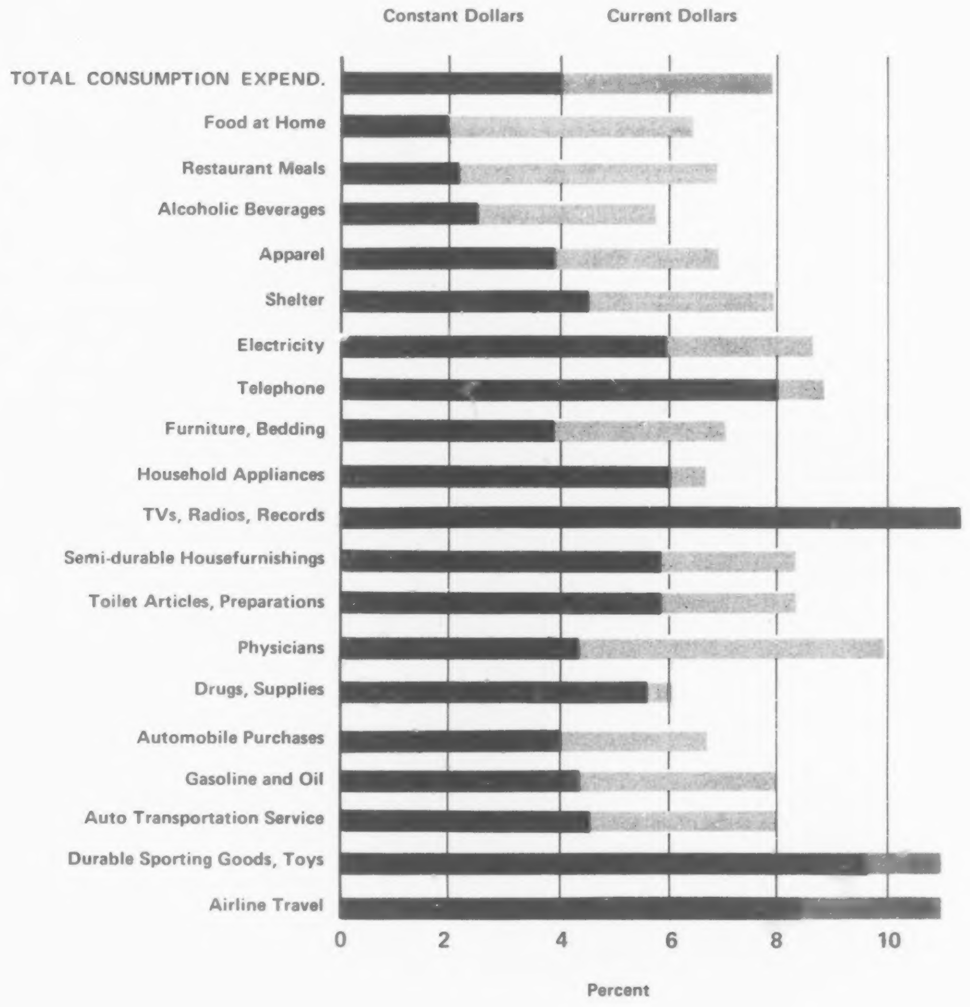
Source: U.S. Bureau of Labor Statistics

Exhibit 4-34
Distribution of Consumer Expenditures
Total Expenditures, 1975 = 100%



Source: The Conference Board

Exhibit 4-35
Growth Patterns in Consumer Spending
Average annual growth rates, 1960-75



Spending on leisure activities is increasing faster than other spending categories.

Source: The Conference Board

Section IV

Psychographics and List Segmentation in Direct Marketing

by Samuel G. Barton, III
Claritas Corp.

Introduction

Was there once a time when marketers did not believe in segmentation?

Yes, indeed. Not so very long ago, many marketers were convinced that, if their products were well enough distributed, advertised and promoted, virtually everyone might buy. And in the 1950s, the power of the new television medium and the uniform demographic structure of "baby boom" households made this seem quite feasible.

Not so any more. The world of marketing, faced with obvious fragmentation of consumer groups, media, and distribution channels, no longer asks whether to segment but how best to get the job done.

In the last ten years, the market segmentation field has undergone rapid growth and significant evolutionary changes. This article reviews these developments and summarizes the current range of possibilities for applied segmentation in the *consumer* direct-mail marketing field. Five approaches to market segmentation are addressed. Oversimplifying them somewhat, we can contrast them as follows:

Demographics — Who are they?
Geographics — Where do they live?
Geo-demographics — Who are they and where do they live?
Behavior — What did they do?
Psychographics — Why did they do it?

Since, in actual practice, the border lines are not so sharply defined, the above should be considered to be differences in emphasis only.

The article discusses the interrelationship among these methods, some of their comparative advantages, and likely near-term developments.

The Purpose of Market Segmentation

The practice of consumer market segmentation involves dividing the total population into distinct groups and varying one's marketing efforts according to the unique characteristics of each group. The objective is increased marketing productivity. This may be achieved in many ways, for example:

- Aim products and their support communications toward a single group, e.g., young, affluent, mobile women.
- Go after several segments, but allocate marketing dollar weights according to the potential value of each user group.
- Tackle the mass market, but tailor separate product lines and communication/marketing strategies for each distinct consumer group.

Such firms as Spiegel, Fingerhut, L.L. Bean, J C Penney, American Express, Citicorp, Horchow, and U.S. Sales provide good examples of the variations in segmentation style which are emerging. The aim is the same: tighter, more focused marketing programs that work better and are more profitable because they are fitted to the needs, interests, and means of specific consumer groups.

The Advent of "Psychographics"

The innovation of the 1960s was "demographics," which classified consumers by such dimensions as age, sex, income, and education. The success of this approach was enhanced by the Advertising Research Foundation's establishment of standard breakdowns for all demographic categories. These were used by all researchers, thus maximizing the utility of demographics.

Passing through the 1960s into the 1970s, marketers became frustrated with the limitations of demographics. Age, Sex, Income, etc. did not provide a fully satisfying way of describing consumer targets. Further, demographics did not seem well-adapted to the task of uncovering the basic motivations behind consumer purchase decisions. Advertisers needed better tools to help them find the messages that would trigger buying motivations.

A groundswell of interest occurred in motivational, attitudinal, and lifestyle research. Many customized research studies were funded by corporate marketing departments and major agencies. All this work was later classified under the general heading "psychographics."

No doubt much was learned and many "positioning" statements (or copy platforms) were shaped from the results. However, psychographic research soon produced its own set of frustrations. Two of the vital reasons were:

Cost.
Everything had to be customized to meet the unique needs of a specific product, and highly skilled talent was needed to effectively execute these studies. As marketing budgets were trimmed in the face of a volatile economy, sky-rocketing media costs, and a no-growth population, few companies could continue to afford this type of work.

Practical Limitations.
It was hard to find and hit these psychographic targets.

To illustrate, let's look at some typical examples of targeting expressed in psychographic terms:

- "Status conscious, upwardly-mobile men"
- "Overworked housewives, fed up with drudgery"
- "When people are *really* thirsty"
- "People who want to get away from it all and explore unknown experiences"
- "Housewives who want the salt to stick to the food"

Lacking any standards of definition, these custom-designed consumer descriptors were not available on media research databases, so how could we tell which media would most efficiently reach our prospects? Also, how could we locate our targets geographically and estimate their size, by market, when local-area Census data (widely available for producing standard demographic counts) provided no information about psychographic dimensions?

Faced with the pressing need to increase the productivity of marketing expenditures by hitting the target more efficiently, general marketers returned to demographics as the standard of measurement, or at least the framework, for media planning, geographic planning, and promotion targeting.

Meanwhile, direct marketers, often without being aware of it, were routinely coming much closer to actually implementing psychographic targeting through the process of list selection and testing. The following sections analyze how this worked. Our discussion, for the moment, deals only with "vertical" lists (i.e. those generated by a consumer response through the mail).

List Selection & Psychographics

The mailer and broker collaborate to select a mix of vertical lists which will produce the highest response rate for a given mailing budget. A two-stage process winnows down the universe of thousands of lists to that small subset which "works" for the mailer's market.

Stage 1. ***Judgmental Screening.*** The experienced list broker has a conceptual model of different kinds of people according to list categories, for example: "magazine subscribers," "upscale gift catalog buyers," "sweepstakes responders." For purposes of a given mailing offer, many of these categories are quickly eliminated because they appear *incompatible* based on a "psychographic" inference drawn by the mailer or broker.

List categories should be properly considered *behavioral* segments, but many brokers and mailers have a tendency to ascribe motivational aspects to them. In this way, they are led to try new categories based on a success with a given list category that they judge to be closely associated psychographically.

Stage 2. ***Mail Testing.*** From the selected list categories, individual lists are chosen on the basis of experience, hearsay, or other marketing judgment. Small samples are then drawn by the list owner to permit test mailings. The selected lists are merged and deduplicated among themselves and also against the mailer's customer file. If the test mailing for a list produces a low response, it is rejected. If the response is adequate or good, the test can be expanded to progressively larger mail quantities.

Through the use of duplicate elimination software, we have learned an important generality about this process: the lists that perform well tend to have a high rate of duplication against the customer file. This is not surprising. We *should* expect that an independently-developed list, which accurately "finds" the market (and therefore responds well), will overlap the existing customer base. To the extent that this principle holds for a given mailer, it is appropriate to consider that the duplication rate is an effective quantitative indicator of the degree of psychographic compatibility of a given list.

There is an interesting new application of this principle that could gain significantly in use during 1984/95. If a mailer can establish a sufficiently strong correlation between list performance and the rate of duplication against the customer file, the mailer could add a final pre-mailing decision point for test lists. As the names on test lists are passed against the customer file, the duplication rate would be examined. If the overlap is so low that the list can be predicted to "bomb," the mailer may actually save money by not mailing the names even though the list rental fee must be paid.* The economics of each mailer's in-the-mail cost and return will determine where the breakeven point is for this mail/don't-mail decision.

Conceptual Model of List Qualification

To set the stage for the later discussion of list segmentation, let's establish a conceptual model of the relationship

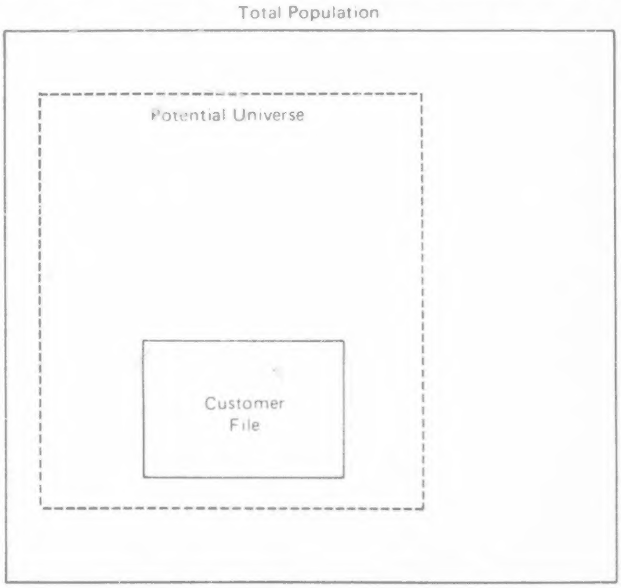


Figure 1

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*The principal exceptions are a) low overlaps resulting from very strong differences in regional skew of the customer file and the rented list, and b) low overlaps resulting from a deliberate, radical product repositioning effort by the marketer.

between the customer file and lists of varying qualification. This can be done schematically using Venn diagrams.

In Figure 1, the outside box represents the U.S. Total Population. The Customer File is shown as a small box. These two populations are known with accuracy.

We also conceive of another population which is the "Potential Universe" for a given mailing offer, i.e. the list of *all* people who *could* be customers. The size of the Potential Universe is never known with accuracy, but it is obviously greater than (and inclusive of) the Customer File. It must also be less than the Total Population because of such factors as financial means, personal preferences, age, and marital status, which might cause individuals to be logically disqualified as prospects. We can, therefore, represent the Potential Universe by the dashed-line box shown in the diagram.

As shown in Figure 2, when we subtract the Customer List from the Potential Universe, we are left with the "Prospect Universe," i.e. the parts of the *Potential* Universe which are not now customers but could be.

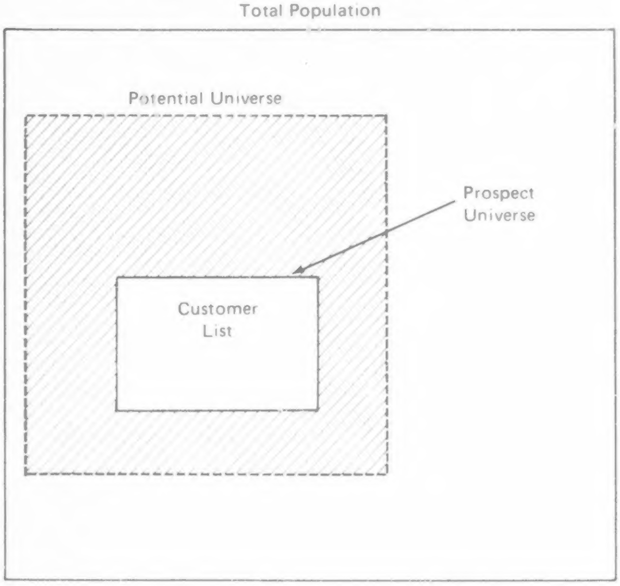

Figure 2

In outside list selection, the ideal would be to select a set of lists whose names fall entirely within the Prospect Universe. In this case, none of the rented names would be non-prospects. This would produce the maximum response rate. Unfortunately, this goal is never achieved. No list is perfect, and all lists vary in their degree of qualification for a particular offer. Mailers work toward the ideal, through judicious list screening and cycles of testing.

Figure 3 illustrates the problem. Lists A and B are of equal size, but List A intersects more of the Prospect Universe than List B and is, therefore, more "qualified." For most mailers, List A will show a higher duplication rate against the Customer File in "merge/purge" and will produce a higher response rate than List B. Typically, both lists will contain a majority of non-prospects, but there is a clear preference. The mailer would rather use List A than List B.

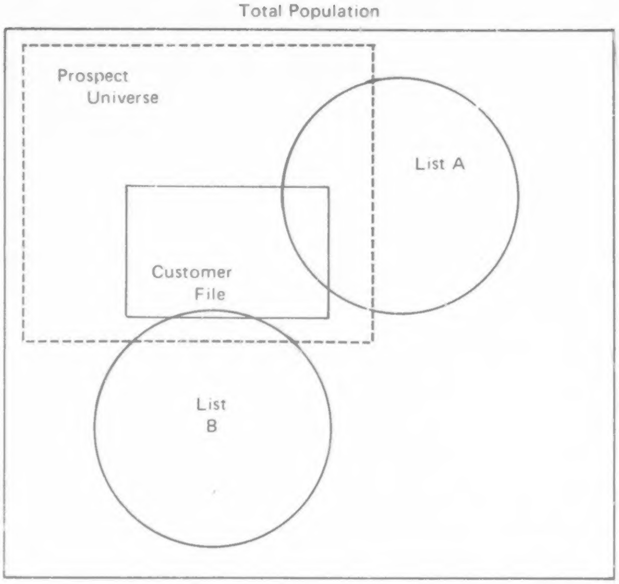

Figure 3

The process of searching for the List A's of the world has strong psychographic overtones. The mailer tries to understand what is indicated about the consumer's interest, "lifestyle," or attitudes by that individual's presence on a specific list. Then, the mailer assesses the degree to which this behavioral pattern is associated with the unique character of the market he or she is trying to reach.

This is obviously an imperfect discipline, saved from the vagaries of purely subjective projection (which has plagued general advertising) by the tight feedback loop that the list testing process affords the direct marketing industry. While list selections may initially be guided by a mailer's preconceptions about "my market," eventually an inductive reasoning process takes over in which the market tells the mailer where to look. For example: "Gee, the Sweepstakes No's on List X were terrific for my insurance offer. Maybe Sweepstakes No's are insurance-conscious people. Let's try some other similar lists."

List Profiling Services

It is worth noting at this juncture that list marketers are experimenting with new information tools for more fully describing their lists, so that mailers and brokers can be aided in their list selection judgments. These information tools were originally developed for use in list segmentation (discussed later in this article), but they can also be used for descriptive purposes, as discussed in this section.

The basic idea is to produce a "profile" of the list using a sample of names or, in some cases, the entire list. List members are distributed across demographic or psychographic segments, and the list composition is then compared to the composition of the U.S. Total Population. For example, if one segment has 10 percent of the population but 20 percent of the list members, while another segment has 10 percent of the population and only 5 percent of the list members, the list is strongly skewed toward the first segment. The variations in such profiles define the unique qualities of individual lists.

Even more revealing is a comparison of a mailer's customer profile (i.e. file composition) to that of a rentable outside list. This obviously requires that both list profiles be produced with the same segmentation system. Prior to using a list, a mailer could compare the shape of his customer profile to that of the list. This has been shown to be helpful in strengthening judgments about psychographic compatibility.

Three promising lines of current development in list profiling are outlined below:

1. Geo-demographics

Geo-demographic segmentation is based on classifying neighborhoods into homogeneous groupings using Census Bureau data. This concept was originated by Claritas Corporation with the creation of the PRIZM Cluster System in the mid-70s*.

Claritas assigned each U.S. neighborhood to one of 40 unique PRIZM "lifestyle" segments. Under the PRIZM system, every member on a list can be assigned to one of the 40 PRIZM segments according to where he or she lives. The flexible design of the PRIZM model gives mailers the choice of doing this by Carrier Route, ZIP, or (through geocoding) Census Tract/Block Group. The result is a profile which shows the list's degree of strength in "Blue Blood Estates," "Bohemian Mix," "Rank & File," "Gray Power," "Grain Belt," and 35 other distinct neighborhood types.

Geo-demographic segmentation is, strictly speaking, a refined form of geographic analysis. It simply uses residential neighborhoods instead of States, Metro Markets or Counties. However, insofar as a geo-demographic system successfully defines chosen "lifestyles," as revealed implicitly through one's selection of a home site, then there are definite psychographic implications as well.

Although thousands of lists have been profiled with PRIZM over the last 8-10 years for customer studies and mail response analysis, it was not until late 1983 that list owners began sending out PRIZM profiles to assist brokers in understanding their lists better. The first released was the Black & Decker Mail Order Buyer profile, produced and printed under license by Regnis Lam, Inc., as a supplement to the customary list data-card and distributed by RM&D List Management.

2. Database Overlays

Another approach is the Database Overlay concept. Here we match the customer file against a larger master list to transfer personal or household data from the master list. This enriches the information content of the customer file. There are two types of overlay service:

- ***Public Record Databases***—Auto registration records, driver's license files, telephone listings, and other mass records have been used to build master household databases which cover 80 to 85 percent of all U.S. households. These sources are merged and internally overlayed to build household and/or personal information records (e.g., Age from drivers' licenses; Make/Model Car(s) owned from auto registrations; House vs. Apartment from the telephone directory).

These files have been marketed for many years as mailing lists, but more recently they have been exploited additionally for their value as file overlay sources. The information yielded from these sources is limited and does not match very well the traditional demographic dimensions. Actual income and education, for example, are not available. However, the potential advantages are that the data are: a) *personal*, not contextual (i.e. not neighborhood level), b) nearly universal, thus permitting good coverage of the customer list, and c) proven effective for certain direct mail offerings in separating consumers by level of propensity.

The principle compilers and marketers of overlay services based on such lists are R.L. Polk & Co., Metromail, and Donnelley Marketing. So far this information has been used by marketers for customer file segmentation, but it is reasonable to expect some of this information in 1984 for list description purposes in support of list rental marketing.

(Note: These companies and the geo-demographics firms also overlay census data onto lists according to ZIP, Carrier Route, or Census Tracts and Block Groups. This permits the ascription of *contextual* income, education, and other useful "demographics" to qualify individual list members.)

- ***Psychographic Databases***—"The Lifestyle Selector" (TLS) was developed by National Demograhpics Ltd. in the late 70s as a compiled list of personal characteristic data. NDL designed a special questionnaire which covered interests, demographics, and leisure time activities. Many product manufacturers/distributors agreed to include the questionnaire inside their product packaging in return for certain information and services from NDL. NDL receives the completed questionnaires from cooperating consumers and adds them to the growing Lifestyle Selector master list (approximate 1984 volume = 12 million names).

The TLS list is marketed for rental in its own right, but it is also used in "overlay" mode. It is not large enough yet for a meaningful customer file enrichment program (estimated eight to ten percent coverage of customer files). But it has been used effectively for profiling work.

Other list owners provide a sample of their names to NDL for matching against the TLS list. The resulting profile shows how strongly the list is skewed towards people who report interest in "Gardening," "Camping/Hiking," "Golfing," "Raising Cats," and some 60 other categories of activities and demographics. It is debatable whether this information should be classified as behavioral (i.e. what people do) or psychographic. This is not a question of great importance, since the information has been used successfully for internal market analysis. It is reasonable to anticipate that some dissemination of the data will soon occur in support of list rental marketing.

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*More recently, C.A.C.I. and Donnelley Marketing have introduced competing models known as ACORN and ClusterPlus, respectively.

Toward the end of 1983, there were indications that other databases of this kind might be created in the near future.

3. Survey Research

It has long been possible for list owners to survey a sample of their names to find out what their customers are like, and many list owners have done so. Generally, such studies have been performed for other reasons than list marketing support. For example, many magazines commission independent Subscriber Studies to document the qualities of their subscribers for advertisers. The data resulting from such surveys, particularly the demographics, have been used for years on magazine list-data cards.

Looking beyond demographics, considerable interest has developed recently in the VALS (Values, Attitudes, Life-Styles) psychographic typology created in the mid-70s by the Standard Research Institute. In this model, each consumer is classified into one of nine categories (Integrated, Achiever, Emulator, Belonger, Societally Conscious, Experiental, I-Am-Me, Sustainer, or Survivor), which are, in turn, grouped into three broad types: Inner-Directed, Outer-Directed, and Need-Driven. SRI has produced considerable information about how to communicate to these groups and has created an assignment algorithm which is based on an individual's answers to 34 questions.

The VALS composition of a list can be determined by administering a 34-question survey to a sample of names. It is not economically feasible to enrich an entire customer file with VALS data, but administration of the questionnaire to a sample produces a potentially useful list profile. Again, work to-date by direct marketers has been largely for internal purposes. However, this information may be disseminated in the future by list owners to prospective list renters.

When we consider the highly developed audience measurement databases for television, radio, magazines, and newspapers, we realize how little information is actually available about the characteristics of mailing lists. The information that is now disseminated about lists has limited value because of the lack of: a) standard measures, b) common availability across lists, and c) independent sources of certification.

This weakness of information utility has not been a significant problem to the industry so far, since lists are so easily tested. However, there are two factors which could bring a growing need for upgraded list information:

- ***Profusion of Lists.***—The number of quality lists on the market can be expected to expand rapidly. Most major consumer marketers are getting into direct marketing in some way. This creates new lists. Also, traditional direct marketers are becoming more sophisticated in the segmentation of their list offerings. This creates new sub-lists, such as "Hot Line," "Inquiries," "Sweepstakes No's," "Buyers of X Merchandise Line," or 'Buyers of Inexpensive Items."

  It will become increasingly difficult for brokers and mailers to test all relevant lists, let alone know their characteristics sufficiently to fairly pre-screen them.

- ***Increasing Test Costs.***—Most mailers are experiencing increased costs for list tests and, at the same time, increased demand for expanded list resources. The need to decrease the failure rate in list tests is becoming more acute.

The industry will respond to these concerns, and standardized segmentation profiles will likely be part of the solution. They should prove helpful to list renters in screening the list universe, narrowing the choices, and reducing "bombs" in the selection process.

Another possibility is that list owners will allow prospective renters to determine the customer-file/list duplication rate at little or no cost. Independent, bonded list processors might be needed, if the list owners and list renter are to feel comfortable about list security. This obstacle can surely be overcome as other similar ones have been as the industry has matured.

The Principle of List Segmentation

Many established mailers presently find themselves in the difficult position of having apparently exhausted their workable list resources. They believe that they have tested every list or list category worth testing and have found the complete set of lists which they can profitably mail. As a result, their mailable "universe," and, thus, their growth are limited by the size of these lists.

The industry's response to this dilemma has taken several directions, among them:

- Explore other media, such as TV or Magazine advertising.
- Develop other distribution channels, such as Package Inserts or Free-Standing Newspaper Inserts.
- Reduce the cost of mailing by using Co-ops.
- Increase response rates through better creative work or special purchase incentives.
- Mail the marginal-performing lists and either develop methods of increasing the long-term value of new customers or live with a lower profit margin.
- Increase the performance of marginal lists through list segmentation.

The focus of this article is on the problem of increasing marginal list performance through segmentation.

The mid- to late-1970s were characterized by considerable experimentation with list segmentation techniques and many discouraging failures. However, in recent years, some list segmentation techniques have been developed to a point of proven effectiveness and reliability. As word has spread about these successes, mailers have returned to this solution with much more satisfying results.

The principle of list segmentation is to eliminate part of the list and thereby eliminate a larger proportion of nonprospects than of prospects. Figure 4 illustrates this concept. The oblique chord cuts through List A, segmenting it in two parts. The shaded area represents the part of List A which is eliminated. The remainder is mailed. As shown, the mailed part is richer in prospects and has a higher overlap against the Customer File than does the unmailed part.

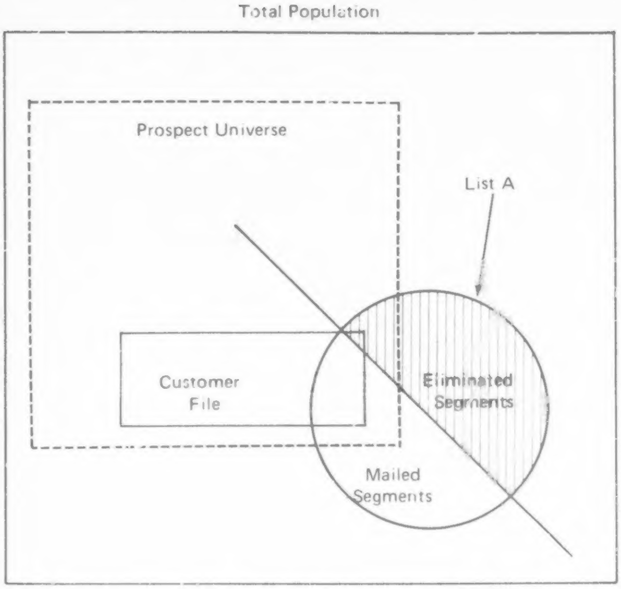

Figure 4

The result is a smaller quantity mailed from the list, but a higher response rate. If this procedure can be applied to numerous large marginal lists, the mailer can significantly increase his mailable name universe. Alternately, he can use this same procedure to simply increase the profitability of his current list mix.

List Segmentation Resources

When a rented vertical list arrives at the list processing center for "merge/purge," it rarely contains anything more than names and addresses. In order to segment the list, information must be added to it. The following resources are available for this purpose:

1. Market Geographics

ZIP Codes may be linked to County, Market, State and Region codes through geographic cross-reference files. These files are available from various suppliers, and many list processing bureaus have acquired one.

2. Census Geocoding

Each list member may be assigned to a Census Tract or Census Block Group through a computerized "geocoding" process. The address is searched in a master directory of street names and number ranges. This service is offered by Polk, Metromail, Donnelley, and a few licensees of these firms. The master directories are limited to City Delivery Service areas. Outside, the ZIP must be used as the smallest unit of geography.

The purpose of geocoding is to attach to each list member's record the census demographic characteristics for his neighborhood. Once a file has been geocoded, a broader range of suppliers is available to add the census demographics.

3. Carrier Route Coding

Each list member may be assigned to a Postal Carrier Route through a computerized search of the CRIS files. This procedure is performed very much like Census geocoding. However, many more suppliers are equipped to routinely provide this service.

In late 1983, it became possible to estimate Census demographic characteristics for Carrier Routes. Polk, Metromail and Donnelley all cross-tabulated their compiled household mailing lists by Carrier Route vs. Census Tract and Block Group. This enabled them to allocate data from the Census geography to the Postal Carrier Route geography. All three are licensing use of these files to mailers and service bureaus.

Polk has gone beyond the census information and provides additional data derived from its Auto Registration list concerning number, types and value of cars owned in the Carrier Route. This information provides a behavioral dimension and offers the added attraction of being updated on an annual basis.

4. Geo-demographic Overlays

The geo-demographic segmentation systems simplify the census data by assigning all neighborhoods to about 40 distinct types. With PRIZM, for example, someone living in Darien (CT) or Beverly Hills would be assigned to PRIZM Cluster 28, "Blue Blood Estates." A person in Greenwich Village or Old Town (Chicago) would be assigned to PRIZM Cluster 37, "Bohemian Mix." A person in Plains, GA would go into PRIZM Cluster 38, "Share Croppers."

Such segment assignments can be made at the 5-digit ZIP Code level. Alternatively, for increased precision, the assignments can be made at the Carrier Route or Census Tract/Block Group levels, provided the geocoding has been completed.

Any mailer can contract for licensed use of a geo-demographic segmentation system.

5. Neighborhood Penetration Levels

Rather than classifying neighborhoods by demographics and "lifestyles," we could group them according to variations in penetration by the Customer File. To do this, we need to have an accurate count of the number of households in each neighborhood. Against this, we calculate the number of customers in the neighborhood and derive a percentage of penetration.

The neighborhoods can then be ranked and divided into equal groups, such as deciles or demi-deciles. These groupings can be overlayed on the list. Sometimes differences are found in response rate across these groups. COMSELECT has been the most active service firm in applying this method.

A variant of this approach is to use the penetration levels of a successful previous mailing. The earliest publicly-reported use of this approach was by Direct Technology, Inc.

With either method, the penetration analysis can be performed for ZIP, Carrier Route, or Census geography.

6. Household Data Overlays

Another possibility is to match the list against a master household database file maintained by Polk, Metromail, or

Donnelley. Through this type of Database Overlay, the following types of information could be added to the list:

- Length of Residence
- Type of Dwelling Unit (Home/Apartment)
- Type Car(s) Owned
- Age (in some States)

Although this information is potentially useful for list segmentation, it must be noted that the full 70+ million database records must be brought into merge/purge. The cost of doing this would seem to disqualify all but the largest mailers. The greatest value would be realized if this information could be used for negative-logical screening (e.g., age bracket eligibility limitations). This topic is discussed later.

A related procedure which has been successfully used by credit card marketers is to pass their rented lists against credit bureau files to pick up such information as number and types of cards already owned and current credit status.

List Segmentation Methods

The preferred method for constructing a list segmentation model is to perform a Mail Response Analysis on a previous campaign. The names mailed are saved, and the order file is later matched back to indicate who responded. Then, the segmentation data resources to be used are added to the file.

Next, the analyst attempts to correlate in some way the segmentation data about the list members with the response records. The principal methods for doing this are outlined below:

1. Cross-Tabulation

The simplest method is tabulation according to predefined segments. This is the method used for the geodemographic systems and the list penetration methods, as well as "heuristic" methods employed by the consultant Mike Green. The recent PRIZM Grid procedure allows a two-dimensional cross-tabulation, for example:

- 40 PRIZM Segments vs. Regions
- 40 PRIZM Segments vs. Age Breaks
- 40 PRIZM Segments vs. Deciles of List Penetration

Using such a tabulation procedure, the segments are scored by response and then ranked from high to low. To develop a predictive model from these cross-tabs, the "log-linear" procedure is sometimes used. In this system, weights are applied to marginal totals to form estimates of unknown inner cells. The weights are determined by a regression-type model.

2. Regression Analysis

Regression analysis is a statistical procedure for correlating descriptive variables about list members (including the census characteristics of their neighborhoods) with their behavior. The variables most highly correlated to response are used in a scoring model, which predicts the likelihood of response according to each list member's specific mix of descriptive variables.

3. Discriminant Analysis

Discriminant analysis is usually used to develop a statistical model for predicting membership in groups or categories, such as "Credit Write-off," "High Purchase Level," or "Non Response." All the potentially useful descriptive variables about an individual (including his neighborhood characteristics) are entered into the statistical process, and the most influential ones are selected and weighted.

This produces a model which generates the probability of each list member's belonging to each group or category. This technique has been popular for developing credit scoring and profit scoring systems. It can also be used to predict response if a linear model is appropriate.

4. *"Tree" Analysis* (Automatic Interaction Detector)

In tree analysis, the potentially useful descriptive variables are each analyzed to determine which is the strongest in splitting the list into a high and a low response group. Then within each such group, the next most powerful variable is found for splitting it. This splitting process continues until the limits of statistical reliability are reached.

The resulting "terminal" points in the tree structure are considered segments, each defined by a unique combination of variables.

The segments are scored by response rate and then ranked from high to low.

Application of List Segmentation

Present list rental practices in the industry limit the possibilities for segmentation of rented "vertical" lists. List owners generally grant a 15 percent allowance for elimination of duplicates against other lists or the house file. Thus, the mailer pays for 85 percent of the names delivered by the list owner.

Based on these operating rules, the following practical conclusions have emerged:

1. Any time we can identify names that we are *certain* will not respond, it makes sense to eliminate these and save the postage and printing. This segmentation is illustrated in Figure 5. The shaded part contains exclusively non-prospects. A trivial case of this is the elimination of unmailable addresses. Many list processing service bureaus are equipped to routinely provide this service. Normally, this eliminates a very small part of the list.

A more substantial effect can sometimes be achieved through the "demographic" Database Overlay procedure described earlier. If segments can be eliminated on a *logical* basis, it would make sense to do this. Some examples:

a. The *drivers license files* could be overlayed to exclude all list members falling outside the age ranges specified for eligibility for an insurance mailing (e.g., 65 yrs +).

b. The *auto registration files* could be used to eliminate names not known to have a car if the mailer is offering car insurance.

c. The *telephone list files* can determine if someone lives in a house or apartment (indicated by multiple listings at the same address). This would likely be a useful screen for a second mortgage loan mailing.

A different but equally effective logical screen can some-

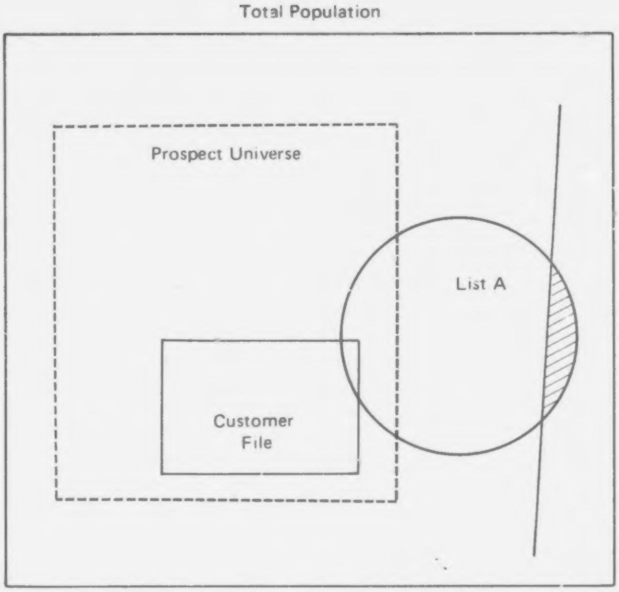

Figure 5

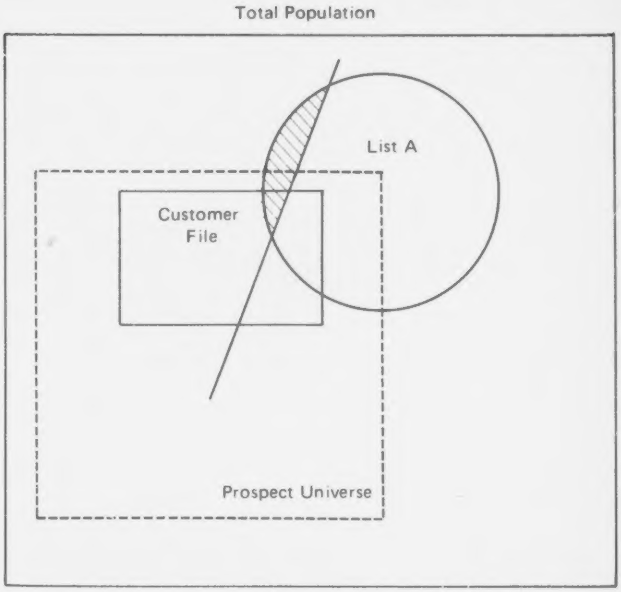

Figure 6

times be applied based on geography. For example, a state suppression could be used by a retail mailer to eliminate mailings in states where there are no stores.

When this technique is used, it is important to calculate the cost-benefit relationship carefully. There is a cost of application especially with Database Overlays, and the cost of eliminated names must be added to the cost of mailed names. The more we eliminate, the stronger the remainder of the list must be to carry the cost load. Normally, however, segment eliminations performed at the list processing site based on *logical* negative screens are cost-effective.

2. Most of the time, a logical basis for segment elimination cannot be conceived. In these cases, the segmentation tools are used to identify the weakest responding parts of the lists. These segments do have prospective buyers, although in lower proportion.

This is illustrated in Figure 6. The shaded part of the list is to be eliminated. It contains a relatively low proportion of Prospects and Customer File hits. Yet there will be sales if this part were mailed. Experience suggests that it is not cost-effective to mail the list at all if more than 20 to 75 percent or so must be eliminated to lift its response into the acceptable range. The cost burden the mailed names must carry at higher rates of elimination is normally too great to be made up by increased response. This is regrettable because mailers are especially interested in "skimming" the best 10 to 25 percent from large marginal lists.

There are two solutions to this problem. The first is to get the list owners to agree to allow payment on a net-names-mailed basis. It is hard to predict if this will become broadly possible. Some mailers believe that this change is inevitable because of the growing demand for increased segmentation power. Others believe that the list owners and brokers will not go along with this for fear of being "cherry-picked," with attendant revenue losses. Time will tell.

The immediately available alternative is to have the list owner apply the segmentation *before* the list is shipped to the mailer. Most list owners have the ability to select names by ZIP Code, but little else. As a result, the only practical approach today for skimming the best names out of a list for a given mailer is to send the list owner a selection of ZIP Codes on tape and to order names only from those ZIP's.

In summary, the author considers that the two most cost-effective techniques for segmenting rented vertical lists today are:

- Negative screen at the merge/purge site to eliminate from "good" lists the 10 to 15 percent of names in the weakest segments, using Carrier Route segmentation data.
- Selection of 15 to 30 percent of the names from "marginal" lists by sending the list owner the mailer's most desirable ZIP areas.

Related Issues

The foregoing review of segmentation techniques assumes that the mailer wishes to increase response rate on rented vertical lists by eliminating segments. There are other circumstances to be considered, however. These are briefly outlined below.

1. Profit Targeting

Increased response does not always assure increased profitability. Occasionally, mailers find that some of the most responsive segments produce inferior quality business (i.e. lower renewals, poor credit performance, etc.).

As a result, it is appropriate to consider the eventual value of each segment and to balance this against the cost of new customer acquisition in that segment. In many cases, this calculation alters the ranking of segments—sometimes rather significantly.

By appropriate application of the segmentation techniques described herein, full profit targeting models can be devised.

2. Offer/Package Targeting

Mailers have traditionally tested new offers and packages against their present standard (referred to as the "control"). If anything beats the control, it becomes the new control.

Recently, innovative mailers have found that, although the test offer or package does not beat the control overall, it may win in certain segments because of inherent differences among segments in their attitude toward different positionings or incentive schemes. For example, a sweepstakes offer may win with certain demographic of lifestyle segments, while a straight offer is more profitable in others.

The identification and confirmation of this phenomenon has led to a new use of segmentation procedures, namely to segment each list into two or more distinct target groups. Each target group is mailed a different piece which is adapted to its proven interests. In this way, the overall performance of a list can be increased without eliminating segments from the mailing.

The segmentation methods described earlier vary significantly in their ability to effectively support this approach to target marketing.

3. House File Segmentation

Mailers with large customer bases generally have marketing programs which are designed to build the value of the customer relationships through multiple product sale (e.g., insurance and merchandise offerings to a gasoline credit card customer base).

For these mailings, there is a wealth of additional segmentation data available, including Recency, Frequency, Purchase Amounts, and Product Line Usage.

The internal "behavioral" information provides a powerful means for file segmentation. It can be augmented by external overlay sources described in this article. The information mix is the most complex in this application, but the multivariate analytical techniques described earlier can be used effectively to identify the important relationships.

4. Compiled List Segmentation

The Polk, Metromail, and Donnelley lists, when used as mailing lists, can be segmented with the same information made available from them for file overlays. Because these lists can be rented on a net-names-mailed basis, the economic considerations which limit the range of feasible techniques for rented lists do not apply. These lists can be segmented with the full range of segmentation information and techniques.

The list owners themselves perform multivariate analysis to identify the most responsive segments. In addition, independent firms such as Claritas perform segmentation of these lists on a service basis for clients.

A Final Word

In conclusion, it is certainly appropriate to give the following advice about list segmentation:

1. List segmentation works.
2. There are several methods in use, but each requires a knowledgeable practitioner to produce good results.
3. Mailers who are inexperienced in list segmentation should carefully check references before allowing (let alone paying for) a practitioner to segment their lists.
4. Mailers who wish to use list segmentation should make a complete calculation of the cost-benefit relationship before authorizing use of a particular technique. There probably exists a cost-effective solution for every situation, as well as several unworkable ones.

Section V

Perceptions, Behavior & Attitudes of American Express Cardholders Regarding Direct Mail (A Quantitative Report)

Prepared by National Analysts, A Division of Booz-Allen & Hamilton, Inc. for American Express Company in cooperation with Direct Marketing Association (1980).

Receipt and Disposition of All Mail

1. Cardmembers report receiving a very high volume of mail, nearly half of which is comprised of direct mail items (as opposed to personal letters or cards, bills, magazines and newspapers).

Potential Cardmembers report receiving approximately the same average number of personal letters or cards as did Cardmembers, but fewer of every other type.

2. About half of all Cardmembers receive direct mail at their offices, as well as at home. Somewhat fewer potential Cardmembers (37%) receive direct mail at the office.

While most personally addressed direct mail is opened by the respondent, a sizeable proportion is screened or opened by other people, either at home or at the office.

Less than half of direct mail addressed jointly to the respondent and someone else, or to "occupant," is opened by the respondent:

- At home, this is usually done by the spouse.
- At the office, the secretary most often does this.

Direct Mail in General

1. The majority of Cardmembers report that they receive a wide variety of types of direct mail. For most categories, more Cardmembers than potential Cardmembers report having received these types of mail during the previous six months. In both groups, the types of mail most frequently received were:

- Sales offers inserted with bills
- Information pieces inserted with bills
- Catalogs or sales announcements from local stores
- Request for contributions from charities
- Magazine subscription offers

Most Cardmembers feel that they are now receiving about the same amount of direct mail as in the past, but nearly two out of five feel that they have been receiving more lately.

2. There are relatively few categories of direct mail for which the majority of Cardmembers exhibit a positive reaction. Of 18 categories of direct mail, for only six did a majority of Cardmembers rate them as "useful, enjoyable or interesting." These included:

- Entertainment announcements
- Catalogs or sale announcements from local stores
- Educational announcements
- Mail order catalogs
- Travel announcements or brochures
- Coupons or samples of products

Nearly all Cardmembers (92%) report a positive reaction to at least one category of direct mail. Somewhat fewer (72%) report a negative reaction ("nuisance" or "objectionable") to at least one category.

3. The predominant disposition of direct mail reported by Cardmembers is "scan and throw away."

The major exception to this is a high percentage who report that they "read and save" mail order catalogs.

The two categories of direct mail most often reported to be "thrown away without reading" were:

- Insurance offers or mailings
- Offers for vacation retirement land sales

4. Cardmembers most often report having responded to the following types of direct mail solicitations:

- Catalogs or sales announcements from local stores
- Mail order catalogs
- Requests for contributions from charities

5. Fewer than two out of five Cardmembers and potential Cardmembers were aware of any organization through which they could get their names either added to or removed from mailing lists.

- The most frequently named organization was the Post Office.
- Approximately equal percentages of Cardmembers mentioned the Direct Marketing Association and American Express Company.

American Express Direct Mail

1. American Express Cardmembers exhibit considerably more favorable attitudes and responses toward American Express direct mail than they do toward direct mail in general.

2. Cardmembers show a very high *unaided* awareness of receiving American Express merchandise offerings but relatively low awareness of receiving other types of mail.

With *aided* recall, awareness of *informational* mailings dramatically increased.

3. Cardmembers report that they pay much more attention to mail they receive from American Express than they do to other direct mail that they receive.

In contrast to direct mail in general, relatively few Cardmembers report throwing away American Express direct mail without reading it.

4. Cardmembers report a reasonably high level of response to American Express direct mail, compared to their responses to other direct mail. The highest percentages of Cardmembers report having responded to:

- Offers for *Travel and Leisure*
- Merchandise catalogs
- Merchandise offerings
- Offers for air trip insurance

5. Cardmembers report positive reactions to all but two categories of American Express direct mail:

- Offers for supplementary Cards
- Offers for "other kinds of insurance"

6. Cardmembers generally have a very positive *image* of direct mail that they receive from American Express.

- There was near unanimity as to the quality of American Express direct mail.
- While there was less agreement as to the utility of American Express direct mail, a majority did give it positive ratings.

7. Nearly all Cardmembers think that, in general, American Express provides them with enough information about services and benefits. The only segment notably less inclined toward this belief was new Cardmembers. Those who desire more information say they would most like to receive more information listing places that accept or do not accept the American Express Card, detailing any available services and describing the travel service they employ.

A slight majority (54%) of Cardmembers are content with the amount of direct mail that they currently receive from American Express. However, 32% would prefer to receive less than they currently do.

8. Cardmember attitudes toward mail order merchandise offered by American Express are very positive:

- Most believe that it is of high quality and reasonably priced, although not necessarily a bargain.
- A majority believe that there would be no great difficulty in resolving problems with merchandise ordered from American Express.

9. Cardmembers exhibit a relatively low degree of awareness that American Express Company makes its mailing lists available to other selected firms.

Those Cardmembers who think that American Express makes its mailing lists available to others are of the opinion that it is a ubiquitous practice among companies.

Nearly half of these Cardmembers feel that American Express tends to be more selective than other card issuers.

When asked directly, a majority of Cardmembers were aware that American Express Company will remove a member's name from its mailing lists if requested to do so. However, only about one out of four remembers ever receiving a list-exclusion form, and only 3% recall having taken action to have their names removed.

10. Attributed Cardmembers (that is, those who have responded to at least one of American Express' service or merchandise offers) tend to be more positive in their ratings of American Express Company and the American Express Card than are non-attributed Cardmembers.

Attributed Cardmembers have higher opinion of mail they receive from American Express, and they feel more strongly that American Express is "very effective" in communicating with its Cardmembers.

Subscribers to *Travel and Leisure* and merchandise buyers consistently report more positive views of direct mail offers than nonsubscribers.

Other attributed Cardmembers are more selective in their judgments of direct mail offers from American Express.

Images of, and Attitudes toward, American Express Company and the American Express Card

1. Cardmembers express very positive regard for both the company and the Card. Positive ratings on all questions were reasonably uniform among all the Cardmember segments.

2. Despite their positive reactions to the merchandise itself, Cardmembers report that their feelings toward American Express Company are positively affected by information mailings, but tend to be more negatively affected by merchandise mailings.

3. Cardmembers rated American Express Company highly on communicating with its Cardmembers. Nearly all feel that, in general, the company provides enough information about services and benefits.

4. Very few Cardmembers or potential Cardmembers report having received multiple, or duplicate, solicitations for American Express Cards, and very few who received them felt that it was a nuisance.

Comparison of Cardmember Segments

The perceptions, attitudes and behavior of the different Cardmember segments are notable more for their similarities than for their differences. Briefly:

- New Cardmembers were slightly more interested in informational mailings than were Cardmembers with longer tenure.
- Cardmembers with heavy receipt of American Express direct mail were more favorable toward direct mail, in general, and American Express mail, in particular, than were Cardmembers at lower levels of mail receipt.
- List-exclusion Cardmembers were less favorable toward direct mail than other Cardmembers, but were by no means strongly negative.
- Gold Cardmembers did not differ substantially from Green Cardmembers in their perceptions or attitudes concerning American Express Company and its direct mail.
- Cardmembers with high billing volume were less positive about some aspects of direct mail than Cardmembers with lower billing volume. For example, they were less inclined to judge nearly all types of American Express direct mail as "interesting, enjoyable or useful," and a higher percentage desired to receive "no mail" at all from American Express.
- There is little disagreement among the segments of Cardmembers as to the appropriateness of offers for *Travel and Leisure* magazine. On the issues of merchandise and insurance offers, Cardmembers segments were also more or less in agreement. Exceptions to this are the new Cardmembers and Cardmembers with heavy mail receipt (who were more inclined to be positive about the appropriateness of these offers), and list-exclusion Cardmembers (who were more inclined to be negative).

Reactions to Different Types of American Express Direct Mail

Purely informational mailings were the most favorably received type of American Express direct mail. This category includes: the Cardmember Guide, information about membership and members' benefits, newsletters, and information about travel service offices and Travelers Cheque dispensing machines.

Mail having to do with travel was the next most favorably received category of mail. Cardmembers reported relatively positive reactions to: travel-related information, offers for air trip insurance, and offers for subscriptions to *Travel and Leisure*.

The third most favorably received type of direct mail was related to merchandise, including merchandise catalogs and single merchandise offers.

The only two types of American Express direct mail which were not rated interesting, enjoyable or useful by at least 50% of those who received them were offers for supplementary credit cards and offers for "other kinds of insurance such as accidental death, life, etc."

Perceptions, Attitudes and Behavior

Drawing on the findings of both the qualitative phase of the study, and the quantitative survey of current and potential Cardmembers *reported herein,* the following generalizations may be made concerning perceptions, attitudes and behavior regarding direct mail in general, and American Express direct mail in particular:

- In spite of occasional complaints about direct mail, the majority of Cardmembers are at worst neutral toward most categories of direct mail and are positive toward several. Even those categories that evoked negative reactions do not constitute serious disturbances to the majority of Cardmembers or potential Cardmembers.
- American Express Cardmembers are, by and large, satisfied with the amount of direct mail that they re-

ceive as a result of their Cardmembership. They rate American Express highly on its communication with its Cardmembers, and they have very positive attitudes concerning the company, the Card and its direct mail.

- American Express Cardmembers exhibit considerably more favorable attitudes and responses toward American Express direct mail than they do toward direct mail in general. They report paying considerably more attention to American Express direct mail than they do to other direct mail that they receive.
- It appears that Cardmembers have a relatively positive view of American Express direct mail merchandise. They feel that the merchandise is of high quality and is reasonably priced (although not necessarily a bargain). While most have never ordered merchandise through American Express, the general feeling among Cardmembers is that the company would be relatively easy to deal with regarding merchandise ordered through the mail.
- Cardmembers report extremely positive attitudes toward American Express Company and the American Express Card. They estimate that informational mailings tend to have a positive effect on their feelings toward the company. However, a majority do not report that their feelings toward the company are enhanced by merchandise or insurance offers.
- Likelihood of American Express Card renewal is extremely high among all Cardmember segments and especially so among heavy users.
- Among those who receive American Express direct mail, there is no evidence of a relationship between volume of mail received and intention to renew the Card. That is, heavy, medium and light mail receivers have virtually identical likelihoods of renewal.
- Very few Cardmembers or potential Cardmembers report having received multiple, or duplicate, solicitations for American Express Cards, and very few who received them report being negatively affected by these mailings.
- Cardmembers display a relatively low level of real interest in the issue of direct mail and/or *list rental.*

  Most are not aware that they have ever been sent a form that they could use to have their names removed from mailing lists, and, of those aware, very few have returned the form.

  When probed, relatively few Cardmembers are certain that American Express makes its lists available to other firms, and about two out of five think they do not.
- However, when asked about their feelings concerning list rental, the majority of Cardmembers say they would object to this practice, half of them strongly. Only one in eight reports even slight favorability toward rental of lists.

Therefore, it appears that American Express can continue sending at least the same level of direct mail to its Cardmembers with little risk of negative effects on attitudes, as long as its current standards of quality and integrity are maintained.

Section VI
United States Postal Service Study

Receptivity To Direct Mail

The most recent national study of consumer attitudes to direct mail was undertaken by the U.S. Postal Service in 1974 following its 1972 national study. The USPS findings about consumers' attitudes to direct mail are included because: (1) The majority of consumers only recognize direct mail as direct response advertising. The advertisements carried via the other media are generally classed as "TV advertising" or "newspaper advertising"; (2) Direct mail is the third largest advertising medium, thus consumer attitudes toward it are of vital importance to advertisers. (The two largest among the media are newspapers and TV.); (3) The majority of surveys concerned with consumer attitudes toward advertising are concentrated on attitudes relative to the broadcast and space media.

How Much Mail And Why?

Direct response marketers have known for years that their prime advertising targets are their company's own customers. That they still concentrate on their customers is borne out by the USPS Study, "The Household Mailstream," mentioned earlier. It is estimated that 80% of all direct mail is sent to present customers, donors, or members; the remaining 20% is sent to prospects.

Analysis of the mail received and classified by the households participating in the study showed that 47% of third class mail received was from "a company at least occasionally having done business with."

Again, according to USPS' 1974 Study, the average number of advertising and promotional material received *per week* per household was *2.6 pieces; down from 3* *pieces per week* per household in 1972. That is less than one piece per day.

This amount can hardly be called a "glut" as some writers have termed it.

The **reasons** for an individual's receiving the average or above average number of direct mail pieces are:

- Responsiveness to direct mail
- Membership in various organizations
- Community activities
- Avocational interests and specific lifestyles
- Higher income and education attainments

The Privacy Protection Study Commission's "Report on Mailing Lists," July 1977 states:

> "One of the easiest ways for an individual to get his name on a lot of mailing lists is to respond to a direct mail solicitation. There are other ways, such as being named in a public record, or mailing back the subscription form inserted in a magazine purchased at a newsstand, *but responding to a solicitation received through the mail is the surest.* That is something the people who complain about getting mountains of "junk mail" often do not understand. Chances are that the individual who is most inundated with unsolicited mail responds to some of it; if he did not, his name would not be in the customer, member, and donor files from which so many mailing lists derive."

Household Mail Attitude Surveys

From time to time, the USPS has conducted surveys of the type of mail received by the average household. The following observations are taken from their results. Tables are reprinted by permission of the Institute for Social Research, which executed the last study and compiled the data. These tables include research from the most recent Household Mailstream study in 1978 and the 1974 attitude survey cited above.

1. Total Mail Received

The average household receives nearly fifteen pieces of mail per week, including over three pieces of third class commercial mail and slightly over one piece of third class non-profit mail per week. This is significantly less than the weekly volume of first class at nearly eight pieces per week.

The variation in third class regular bulk mail received is not great, with only about 20% claiming to receive under one piece per week and less than 15% claiming to average over six.

The table following shows this data in detail.

Exhibit 4-36

Mail Received by Households
Total Volume by Selected Class[a]

(Distribution of Households by Volume of Mail Within Selected Classes)

	Number of Pieces Received by Household										
Mail Class	**0**	**1-3**	**4-6**	**7-9**	**10-12**	**13-15**	**16-20**	**21 or more**	**Total**	**Number of Households**	**Mean[a]**
Total, All Classes	1.9%	8.9	12.3	14.7	14.0	11.8	14.2	22.2	100.0%	5,366	14.72
First class	3.8%	22.8	27.0	20.0	11.0	6.5	4.8	4.2	100.0%	5,366	7.60
Second class	33.9%	45.4	12.9	4.9	1.5	0.8	0.4	0.1	100.0%	5,366	2.18
Third class, regular bulk rates	21.2%	42.2	22.4	8.4	3.7	1.0	0.7	0.3	100.0%	5,366	3.32
Third class, nonprofit rates	52.3%	39.0	6.4	1.5	0.5	0.2	0.1	0.1	100.0%	5,366	1.17
Fourth class	88.6%	11.2	0.1	0.0	0.0	0.0	0.0	0.0	100.0%	5,366	0.15

[a] Only major domestic classes and subclasses are presented. An additional .30 pieces of mail is included in the total mean for the other domestic classes, special and experimental services and foreign mail.

Receipt of mail of all types is relatively even on a daily basis (at about 2.5 total pieces per day), with the only exceptions being that bills are more likely to arrive in the first week of the month, and that somewhat more mail is received on Wednesdays, Thursdays and Fridays than on the other 3 days. This last skew holds for all types and classes of mail. Volumes are shown in Exhibit 4-37.

2. Mail by Delivery and Postage Types

The only significant volumes of items delivered by non-USPS carriers were newspapers (46% delivered by non-USPS), plastic bags of advertisements (3%) and other advertisements (2%). Those figures do not include packages or other large deliveries. For deliveries of that sort, a significant proportion of people said that they preferred private deliveries because of speed and lower danger of breakage. This must be balanced against a clearly noted greater familiarity with the USPS.

Exhibit 4-38 following shows distributions of the type of mailing indicia used, identity of sender and places where delivery was taken.

Exhibit 4-37

Mail Received by Households
By Day of Week
(Distribution of Items by Selected Contents for Each Day)

Selected Contents	Total	Day of Week Received					
		Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.
Projected number of mail pieces (000,000)	56,760	7,410	9,440	10,140	10,220	10,230	9,330
Standard error (000,000)	998	183	189	194	197	175	225
	100%	3%	17%	18%	18%	18%	16%

Exhibit 4-38

Domestic Mail Received by Households
Type of Indicia vs. Sender

Type of Indicia	Total	Sendor as Reported by Respondent							
		Household	Business	Nonprofit organization	Government			Other	Sender not ascertained*
					Fed.	State	Local		
Projected number of mail pieces (000,000)	56,320	7,320	35,180	8,460	2,251	990	937	1,182	
Standard error (000,000)	980	183	620	198	84	49	48	53	
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Permit	38.4	1.2	43.2	62.1	7.9	36.2	34.6	49.4	36.2
Meter	32.6	6.0	42.6	21.5	6.0	40.3	44.4	27.2	37.1
Postage stamp	22.0	90.8	11.2	11.6	2.1	4.9	13.3	17.2	24.2
Prestamped card/envelope	2.2	1.5	2.3	3.3	0.5	1.2	5.5	1.6	2.2
Penalty mail	3.7	0.3	0.5	0.9	70.7	10.5	1.7	2.4	0.0
Frank mail	0.6	0.0	0.0	0.2	11.5	2.8	0.3	1.9	0.0
Other	0.4	0.2	0.3	0.4	1.3	4.0	0.2	0.3	0.4
Number of mail pieces sampled	62,249	6,885	30,594	7,097	2,083	885	871	1,061	12,773
Number not ascertained	13,517	183	3,366	1,074	90	71	34	80	8,620

*To project the best estimates of mail volumes, projections are based on only items with information ascertained.

Exhibit 4-39

Mail Received by Households
(Distribution of Items by Type of Delivery)

Class and Sender	Projected number of mail pieces (000,000)	Standard error (000,000)	Total	Type of Delivery					Other	Sample number of mail pieces	Number not ascert'd
				Directly to door	To box at curb	To building (but not to door)	To cluster of boxes	To post office box			
Distribution of households	[74,155 mil.]		100.0%	41.7	29.7	12.8	4.6	8.5	2.0	[5,154	221]
Total Mail Pieces	56,760	968	100.0%	42.0	35.3	7.8	4.2	8.7	2.0	78,505	2,838

These percentages do not vary greatly by type of mail.

3. Response Vehicles

The charts below show proportions of third class mail and bills using various types of response vehicles or advertising inserts.

Exhibit 4-40

Third Class Mail Received by Households
Selected Contents by *Type of Return Envelope* Enclosed

(Proportion of Items by Type of Envelope Within Content Categories)[a]

Contents	Projected number of mail pieces (000,000)	Standard error (000,000)	No return envelope or card	Type of Envelope: Business reply	Postage paid	Postage needed	Type unknown	Return card	Sampled number of mail pieces
Catalog	2,271	85*	64.6%	6.4	2.1	24.8	0.6	1.9	2,394
Ad with order form	1,372	59*	19.0%	38.6	5.9	26.2	0.8	10.8	1,446
Ad without order form	7,480	188*	68.5%	11.9	2.2	9.3	0.3	8.6	7,889
Request for money with order form	328	24*	17.0%	33.0	8.7	33.8	0.6	9.1	346
Request for money without order form	1,044	50*	21.9%	25.0	8.9	43.8	0.7	2.5	1,100
No catalog, ad, request or order form	5,450	152*	80.6%	5.7	1.8	9.3	0.4	2.4	5,749

[a] Rows may add to more than 100.0% because mail pieces were reported to contain more than one type of return envelope or an envelope plus a card.

*These standard errors are estimated using approximate coefficients of variation of mean numbers of incoming mail pieces.

Exhibit 4-41

Mail Received by Households
Bills With/Without Ads by *Type of Return Envelope* Enclosed

(Proportion of Items by Type of Envelope
Enclosed Within Categories of Bills With/Without Ads)[a]

Contents	Projected number of mail pieces (000,000)	Standard error (000,000)	No return envelope or card	Type of Envelope: Business reply	Postage paid	Postage needed	Type unknown	Return card	Sampled number of mail pieces
No bill or ad	29,680	529*	86.3%	3.9	1.6	6.8	0.3	1.4	25,913
Bill without ad	9,070	207*	43.6%	2.2	1.8	51.4	0.6	0.8	7,921
Bill with ad	1,674	68*	10.2%	3.7	2.4	81.7	0.6	2.4	1,461
Ad without bill	16,330	312*	60.6%	14.4	2.9	15.2	0.4	7.1	14,252

[a] Rows may add to more than 100.0% because mail pieces were reported to contain more than one type of return envelope or an envelope plus a card.

*These standard errors are estimated using approximate coefficients of variation of mean numbers of incoming mail pieces.

4. Third Class Mail

The tables below show types of third class mail received and their disposition. (Taken from "The Household Mailstream" for the years 1972 and 1974.)

Exhibit 4-42
Third Class Mail Received: Description

	% of Total Pieces 1974 N=5,597[1]	% of Total Pieces 1972 N=6,740[1]
A piece in an envelope	36%	38%
A piece not in an envelope	36	35
A catalog	16	14
Coupons	4	3
A post card	3	3
A small package	3	3
Can't classify	—	1
No answer	2	3
Total	100	100

[1] N=households participating in the studies.

Exhibit 4-42 *(cont'd)*
Third Class Mail Received: Address Type

	% of Total Pieces 1974 N=5,597[1]	% of Total Pieces 1972 N=6,740[1]
Was this item—		
Addressed to a specific member of the household	69%	67%
Addressed to "occupant" or "postal patron" or other general address	26	29
No answer	5	4
Total	100	100

[1] N=households participating in the studies

(cont'd)

Exhibit 4-42 ***(cont'd)***

Third Class Mail Received: Kind of Sender

	% of Total Pieces	
	1974 N=5,597[1]	1972 N=6,740[1]
Sent from—		
A company at least occasionally done business with	47%	47%
A company known, business not done with	17	17
A company neither known nor done business with	13	17
A nonprofit organization	17	14
The government	—	—
No answer	6	5
Total	100	100

[1] N=households participating in the studies

Third Class Mail Received: Reading of Item[1]

	% of Total Pieces	
	1974 N=5,597[1]	1972 N=6,740[1]
Item was—		
Opened and read by a member of the household	65%	63%
Opened but not read by a member of the household	7	8
Discarded without being opened	9	10
Set aside for reading later	13	14
Don't know/no answer	6	5
Total	100	100

[1] N=households participating in the studies.

Third Class Mail Received: Reception

	% of Total Pieces	
	1974 N=5,597[1]	1972 N=6,740[1]
Item described as—		
The kind of useful information that I like to receive	43%	42%
Interesting or enjoyable, but not especially useful to me	23	22
Neither interesting, enjoyable, nor useful	20	21
Objectionable	4	4
Don't know/no answer	10	11
Total	100	100

[1] N=households participating in the studies.

5. First Class Mail

The following table shows the disposition of first class mail by type.

Exhibit 4-43
First Class Mail Received: Type of Mail

	% of Total Pieces	
	1974 N=14,820[1]	1972 N=5,319[1]
Personal	**25%**	**27%**
Letter from friend or relative	14%	14%
Sympathy/greeting/thank you card	4	5
Invitation	2	3
Other personal	5	5
Business	**59%**	**60%**
Bill/invoice/premium notice	33	31
Advertising/promotion/ sales material	7	9
Financial statements	7	6
Pay or other checks/ money order/credit slip	5	5
Correspondence school	1	1
Other business	6	8
Social Charitable and Nonprofit	**5%**	**5%**
Nonprofit institutions	3	3
Social clubs	1	1
Other	1	1
Government	**5%**	**4%**
Bill/invoice/check	2	1
Political appeal/advertising	1	1
Other government	2	2
No answer/can't classify	6	4
Total pieces identified	94	96
Total	100	100

[1] N=households participating in the studies.

6. Sample Composition

The samples used as the basis for these tables were drawn from the population as a whole on a statistically reliable basis and parallel to general population in all major characteristics.

7. Summary Comparison

The volume of third class mail received by households in 1974 compared to 1972 is as follows:

Exhibit 4-44
Amount of Third Class Mail Received

	1974 N=2,102[1]	1972 N=2,062[1]
None	30%	25%
Low (1-2)	32	32
Medium (3-5)	23	24
High (6 or more)	15	19

[1] N=households participating in the studies.

The major change was an increase in the 1974 percentage of households which received **no** third class mail, and a slight decrease in the percentage of households that received six or more pieces of third class mail. The low and medium volume percentage remained the same.

The increase in the households receiving no third class mail were:

- non-white households
- age of head of household 34 or less
- less than 25 age group
- less than high school graduate
- low family income groups
- city households

The decreased high volume households were:

- non-white households
- age of head of household 35-54
- education level of some college
- households with income levels of $10,000 or more.

The receiving household reaction to third class mail, for those getting two or more pieces, was at the same favorable level in 1974 compared to 1972.

	1974	**1972**
Favorable	36%	39%
Unfavorable	14	16
All others*	50	45

*Received no third class or only one piece.

Section VII

Summary of Doubleday/DMA USPS Delivery Survey

by Jon Mulford

Doubleday & Company, Inc.

In 1981, Doubleday requested DMA help in determining whether the U.S. Postal Service was delivering all properly addressed Third-Class mail. Doubleday's internal data suggested that serious delivery problems existed.

With the Government Affairs Committee's approval, DMA members were asked to record whether they received test pieces mailed to their home addresses. The statistically valid test results showed non-delivery rates of 8.4 percent for a typical third-class advertising piece and 6.6 percent for a similar piece endorsed "Forwarding and Return Postage Guaranteed."

DMA took the results to top postal management and called for fast corrective actions. The USPS, after internally confirming the delivery problem, took the following actions:

a) Started a major employee education campaign which stressed the value of third-class mail

b) Improved work rules controlling the disposal of "undeliverable" mail

c) Initiated a new operations audit program

The USPS in an attempt to upgrade postal workers' image of Third-Class mail, retired the phrase "nonpreferential mail," replacing it with "Bulk Business Mail."

Have USPS efforts paid off? The answer is a qualified "yes." In a 1983 re-run of the delivery test, non-delivery rates sank to 5.4 percent and 3.1 percent for the same types of pieces mailed in the first test: a dramatic improvement. But, two additional pieces, a 6-ounce catalog and a light-weight flyer had non-delivery rates of 10.2 percent and 18.9 percent, respectively!

Thus, the USPS, while it has improved delivery, has a long way to go. The Service is continuing its employee education and improved auditing campaigns. It is also administering two separate programs: a mail monitoring effort similar to the Doubleday/DMA tests, and project M.A.I.L. ("Mailer Address Improvement Link"). Both ongoing projects are designed to improve the delivery of Third-Class mail.

Consumer Attitudes Toward Direct Mail

R. H. Bruskin Associates, 1981

The purpose of this study was to measure people's attitudes toward the promotional mail that they receive at home as well as finding out exactly what mail a national sample of households receives at various times of the year. The project involved 500 households collecting all the promotional mail that was received for a one week period, placing it in an envelope and sending it in for tabulation. Reported below are some of the findings.

Exhibit 4-45
OVERALL REACTION TO PROMOTIONAL MAIL

		Sex	
	Total	**Men**	**Women**
Number of Respondents	(1014)	(492)	(522)
	%	%	%
Like It Very Much	8	4	7
It's Just OK	25	25	25
It's Somewhat of a Nuisance	19	21	17
Would Prefer Not Receiving It At All	22	22	22
Really Don't Care About It One Way or the Other	28	28	29
Don't Know, No Answer	*	*	*

* = Less than 0.5%.

Question: Each week people receive mail which promotes the sale of various products and services.

"What is your overall reaction to promotional mail? Would you say . . ."

Source: R. H. Bruskin Associates, OmniTel, March 10, 1981.

Exhibit 4-46
WHETHER PROMOTIONAL MAIL IS OPENED

		Sex	
	Total	**Men**	**Women**
Number of Respondents	(1011)	(496)	(515)
	%	%	%
Open All Mail	55	48	62
Open Some Mail	37	42	32
Don't Open Any	7	9	5
Don't Know, No Answer	1	1	1

Question: Each week people receive mail which promotes the sale of various products and services.

"Thinking about the promotional mail that is addressed to you, would you say that you open *all of the mail, just some of the mail* or *don't you open any of it*?"

Source: R. H. Bruskin Associates, OmniTel, May 1, 1981.

Exhibit 4-47
TYPE OF PROMOTIONAL MAIL USUALLY OPENED

		Sex	
	Total	**Men**	**Women**
Number of Respondents	(1011)	(496)	(515)
	%	%	%
Catalogues from Mail Order Companies	78	75	81
Fund Raising Mail from Charitable Organizations	72	69	75
Mail for Magazine Subscriptions	63	62	64
Mail from Insurance Companies	62	58	65
Mail from Book Clubs	57	55	60

Question: Each week people receive mail which promotes the sale of various products and services.

"Which, if any, of the following types of mail do you usually open?"

Source: R. H. Bruskin Associates, OmniTel, May 1, 1981.

Exhibit 4-48
HOW PRODUCT ACTUALLY ORDERED
(Among Respondents Who Made Purchase As A Result Of Promotional Mai)

		Sex	
	Total	**Men**	**Women**
Number of Respondents	(320)*	(155)*	(165)*
	%	%	%
By Mail	43	41	45
By Phone	24	22	27
Went to Store	52	59	46
Someone Came to Home	2	2	2
Other Method	2	—	3
Don't Know	2	4	—

* = Numbers exceed 100% due to multiple responses.

Question: "Did you order the product(s) by *mail*, by *phone*, did you go to a store, did someone come to your *home* or did you place your order by some other method.

Source: R. H. Bruskin Associates, OmniTel, May 8, 1981.

5

Research and Testing

by Michael E. Green
Direct Marketing Research Associates*

The theme of direct marketing has been aptly stated as test-test-test. And for years, direct marketers have successfully launched new products, markets, and offers by creating a test mailing package, and then mailing it to "see how it does." If the results are favorable, they launch into a campaign, and, if not, they return to the drawing boards to design another test. For this reason, many direct marketers assumed that they have been utilizing market "research" all along. However, they may have been using "testing," but they have not been using market research.

Many "market-testers" do not use statistically valid sample sizes in their tests, they do not know why the consumer rejected (or accepted) their product, nor can they say what need is being satisfied by their product, or whether their advertising is successfully appealing to that need. They, also, fail to use effective list segmentation testing and end up with non-optimal campaign offerings.

The cost of market research is a major obstacle to its regular inclusion into the marketer's products and advertising budgets. Yet, it is not the cost which hinders many marketers from not considering market research, as much as the cost-benefits that are not being adequately outlined to them. Since writing this chapter in 1981, there has been a dramatic increase in market researchers entering and participating in direct marketing management decision making. In fact, today there are direct marketers with large research divisions, managed by director or vice president level positions. The field is growing. This article will point out the hows and the benefits of applying market research to direct marketing testing.

First—The Benefits

Qualitative Research. The opinion and "survey-side" of market research is designed to explain:

- Why someone did or did not buy or why did they re-buy?
- What was the "key" feature or features of the product that made the sale?
- What features of the marketing offer aided or hindered the sale?
- Were the advertisements' headlines, graphics, "key-points" the right ones to stress? Are there other more powerful copy points?
- Which aspects should be changed and how?
- Who is buying the product and is the market growing or shrinking?
- Which new ideas would be most likely to be successful in the marketplace and which ones wouldn't?
- Is advertising keeping up with marketing changes?

In short, qualitative research is designed to provide the reasons for the consumer's behavior. It should point out problems, identify opportunities and avoid failures when properly applied. Most of all, it should prove to be cost-effective. It should be the first step in the research process; then followed by quantitative or "testing" research to specify the exact profitability of the product.

Quantitative Research is the "numbers-side" of market research and is designed to determine:

- How many sales were made?
- What was the average dollar sale?
- How many of each version were bought?
- Which mailing list, which mail advertisement, which magazine, which TV advertisement, or which telemarketing program is most profitable?

Campaign decisions are made from quantitative market research, which should also measure the effectiveness of an immediate follow-up offer (called a Pavlov offer) and to whom to offer it. In other words, while a test mailing is identifying to whom to market and not to market for a potential campaign, it should also determine a second campaign market, which advertisement to offer for the second campaign, and whether a segment can profitably support a third or fourth campaign wave.

By combining quantitative and qualitative market research, a test mailing could point out the strengths and weaknesses of the test mailing advertising, so that improved advertising can be designed, building on its current strengths and overcoming its weaknesses. Continuous research can help assure an optimum level of profitability for any direct market product.

Uniqueness of Research and Testing in Direct Response Marketing

Direct response marketers have a most advantageous and unique medium for selling their products and services. Direct marketing advertising expense can be directly related to sales resulting from that advertising, and a resulting profit and loss analysis can determine if the advertising is "paying off."

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*Affiliated with DMCA Systems Ltd.

Because of this direct relationship between advertising and sales, research can be designed to determine:

- Who is buying?
- Who is not buying?
- Why they bought?
- Why didn't they buy?
- What is most/least effective with the advertising?
- What is most/least effective with the product and offer?

There is not a direct, measurable relationship between the advertisement and the sale with radio, TV and most magazine advertising. Since a sale may take place days or weeks after a commercial runs, it is very difficult to precisely relate $1.00 of that advertising to $X.00 of product sales. As a result, it is more difficult to determine the cost-effectiveness of this advertising—whereas, with direct response, the sale directly results from the ad.

We can examine and study the non-buyers or non-respondents to a campaign with direct response advertising. By comparing them to the buyers or respondents, we can identify facts that lead to action. For example, if 50% of buyers are females and only 30% of the mailing list (non-buyers mainly) are females, then we know that the product or service is quite attractive to females, and they should be mailed in future offers. By merely knowing that 50% of buyers are women (as with TV advertising) and nothing about the non-buyers (viewers of the ad) who were offered the product or service, we cannot develop an action plan for the future.

Because of the following two unique facts:

- the direct relationship between advertising and sales and,
- the ability to examine "non-buyers" or "non-respondents" to a direct response advertisement,

an entire world of traditional and new research techniques become available to the direct marketer in order to maximize and optimize advertising and profits. This chapter will outline the research techniques that are available and that have proven to be powerful in their applications to direct-marketed products and services.

Conducting Research — Do's and Don'ts

Good research and testing provides the information on which management decisions are based. Thus, it is a staff function—the intelligence function of management.

As such, it should be seen as a full-time operation rather than a temporary function, handled by someone part-time, "when they have time." The size of the function should depend upon the scale of the direct marketing operation. In terms of importance, the research operation should be viewed as vital as the treasurer-controller's or the legal department's operation of a company. Research provides the intelligence needed by management to determine:

- Who to mail to?
- What product/service should be mailed?
- When to mail?
- How many to mail?
- What advertising to be mailed?
- How to improve the advertising?
- How to improve the product/service?
- Opportunities for new products/services?

—all to achieve a certain goal or achieve a given return on investment (ROI) for your company.

A challenge facing market researchers today is developing research techniques that are sufficiently relevant, practical, accurate, and flexible to justify their application as marketing problems arise. Researchers must convince management that the research will, in fact, help improve operations rather than become a cumbersome impediment to management.

The direct market researcher's task is twofold:

- Develop useful tools and avoid techniques for technique-sake
- Help management learn to recognize and utilize the contributions that research can make.

Most market research techniques have one thing in common, and that is their dependency on statistics. Without statistics, most direct response research would not exist. Thus, all researchers must be aware of numerical data and the biases that affect it:

- Sample size bias: too small and results are meaningless
- Sample selection bias: representativeness, randomness
- Collection of data bias: missing data, duplicate data
- External factors bias: holidays, vacation periods, major national or international events, weather, politics
- Analysis of data bias: incorrect statistical tests
- Unintentional bias: false replies or responses
- Intentional bias: cheating
- Prejudice bias: trying to prove your point

By controlling for these biases, the researcher's statistical results have the best chance for acceptance into management's decision-making process.

When to and When Not to Use Research

The answer to this question depends on the value of the decision facing the company. If the research cost cannot be cost-justified, then it is not worth doing and should not be done. For example, to test for the "best" combination of copy, graphics, layout and offer, one may need hundreds of test cells costing between $500,000 to $1,000,000 to test mail. If the project profit is in the same range as the research cost, then you have not gained anything by the test. However, if a scaled-down test is designed, with ten cells costing $50,000 to $100,000 and profit is in the $500,000 to $1,000,000 range, then testing would be worthwhile.

In addition, certain tests require sample sizes of 50,000 to 75,000 and, if the list to be mailed is in the same range, then testing is not possible. If a decision has to be made in a time period less than the research time period, then, again, research and testing are not possible.

Inappropriate techniques are sometimes used in evaluating whether to use research to solve a problem. Using surveys or focus groups to determine response rates for different advertising packages is totally inappropriate. To determine response rates, you need controlled samples and, frequently, very large samples—both of which are not practically possible or cost effective with focus groups and surveys. Also, using response rates to answer why a person bought or didn't buy is again inappropriate; here, surveys and focus groups are needed.

Because of the limitations on each of the various techniques, carefully designed research testing is mandatory. Extensive communication between marketing management and researchers is necessary in order to achieve a workable test—give and take on both sides is needed. The researcher can't expect to be given free rein, and the marketer cannot expect to use research to answer every question that arises.

Bases for Testing: The Scientific Approach

Direct marketing lends itself to the use of the scientific approach in solving problems more than in any other advertising/distribution system. No research and testing method can entirely eliminate uncertainty, but the scientific approach can minimize uncertainty and increase confidence in the information. It helps the researcher or manager choose between alternative courses of action.

The scientific approach emphasizes care and accuracy in the gathering, recording and analyzing of facts about marketing problems, imagination to find relationships among facts, and reproducible results. Merely gathering and tabulating the facts is not sufficient; nor is it research.

Direct response marketing's direct relationship between sales and advertising makes for a perfect situation for employing the scientific method. Data can be collected and analyzed to determine who bought and why, without the researcher having to account for intervening activities such as salesmen, shelf location, TV show content, or an outside event in order to draw relationships between advertising and sales.

Hypothesis Testing

Figures drawn from samples (response or sales rates), no matter how "scientific," are of little value unless their reliability is properly evaluated.

Testing a statistical hypothesis is essentially the evaluation of the significance of one or more sample values with respect to some general hypothesis. Thus, the question of whether Kit A's 1.2% response rate is different from Kit B's 1.5% response rate can be stated as the following hypothesis:

> *Null Hypothesis: which states:*
> There is no difference in the response rates between Kits A and B.

This is known as the null hypothesis. Once stated, the proper statistical tests can lead to acceptance of the null hypothesis or rejection of it. The proper statistical test involves selection of an appropriate standard-error formula, confidence regions and confidence coefficents. It also involves the use of probability distribution tables, and, possibly, special tables to account for any distortion due to small sample sizes.

In using hypothesis-testing, two types of errors can be made:

- *Type I errors*—rejecting the hypothesis when it is true
- *Type II errors*—accepting the hypothesis when it is false

Type II errors are more common than Type I errors in direct marketing. This is because sample sizes selected are often too small, and, thus what "looks" like a real difference between kits is not significant, and the wrong kit is mailed. The marketer may also conclude that there is no difference in response rates between kits, and a decision is made on which kit to mail based on cost (or other reasons) and not on response.

Hypothesis testing is based on the formula:

$$Z = \frac{\text{Response Kit A-Response Kit B}}{\text{Estimated Standard Error of the Difference}}$$

Z is a measure of the response difference related to its statistical significance. Values of Z much less than 1 are not statistically significant. Values of Z greater than 2 imply that a real difference exists between the test kits. One looks up the value of Z on a table (areas under the normal curve or table of Z) to determine if the difference between Kit A and Kit B is significant. Significant differences can be at the 90%-95% confidence levels.

A 95% confidence level, corresponding to $Z=1.96$ is used to develop a 95% confidence interval around the measured rate. This response implies that there is only a 5% chance that a random sample would give a response outside of the confidence interval. If such a response were observed in a test mailing, the presumption is that real differences in the product or test offering is causing the increased (or decreased) response rate.

By scientifically designing the research, controlling for biases, and using proper sample sizes, the researchers can report marketing intelligence to management that is reliable and useful in decision making. The equation for the standard error (σ) of the difference is:

$$\sqrt{\frac{P_1 \times Q_1}{N_1} + \frac{P_2 \times Q_2}{N_2}} = \sqrt{\sigma_1^2 + \sigma_2^2}$$

Where P_1 = Response rate from Kit 1
$Q_1 = 1 - P_1$
P_2 = Response rate from Kit 2
$Q_2 = 1 - P_2$
N_1 = Sample size of Kit 1
N_2 = Sample size of Kit 2

Therefore, using these equations, Z can be computed for any set of response rates, and statistically significant results reported as to which kits are "better" than others.

Examples of testing the null hypothesis:

$P_1 = 1.2\%$ $\quad P_2 = 1.5\%$
$N_1 = 30{,}000$ $\quad N_2 = 30{,}000$
Null Hypothesis: P_1 is not different from P_2
: Significance level required is 95%

$$Z = \frac{.015 - .012}{\sqrt{\frac{.015\ (.985)}{30{,}000} + \frac{.012\ (.988)}{30{,}000}}}$$

$$Z = 3.18$$

Look up 3.18 on the Z table and you get (.4985) and times two equals 99.7%; thus, the null hypothesis is rejected since there is a 99.7% probability that P_2 is greater than P_1, or only three times out of 1,000 would you expect that P_1 and P_2 would be the same, and greater than 1.96.

Table of selected Z-values and their respective level of significance (sample sizes over 30)

Z =	Level of Significant Differences
1.04	70%
1.15	75%
1.28	80%
1.44	85%
1.64	90%
1.70	91%
1.75	92%
1.81	93%
1.88	94%
1.96	95%
Greater than 1.96	Over 95%

F-Ratio Test

There are times that you want to test the significance of the difference between two groups in which the sample sizes of one or both are in the 500 to 1,000 range. For example, specific segments of lists may require testing in a Matchkey® Analysis. To do this, use the same Z statistic as before, and then go on to a second test. This test is the F ratio test. The joint rejection of the null hypothesis by both the Z test and the F test is needed to assure a statistically significant difference for these relatively small samples.

In the F test, the data from the Z test is used as follows:

$$\text{F Ratio} = \frac{\sigma_1^2}{\sigma_2^2} = \frac{\frac{P_1 \times Q_1}{N_1}}{\frac{P_2 \times Q_2}{N_2}} \text{ or } \frac{\frac{P_2 \times Q_2}{N_2}}{\frac{P_1 \times Q_1}{N_1}}$$

(the larger standard deviation (σ^2) should be the numerator).

The following table provides F values that must be exceeded in order to reject the F ratio null hypothesis; i.e. that there is no difference in the standard deviation at the 95% level.

Sample Sizes for N_1 and N_2 (each)	Significant Points of the F Ratio for Sample Sizes at the 95% Level
100	1.59
200	1.39
500	1.24
1000	1.13
30,000	1.15
infinity	1.00

In the above example, the F ratio is calculated as follows: (Note: since the sample sizes are 30,000, it is not really necessary to perform the test; however, it is included here for illustrative purposes.)

$$F = \frac{\frac{.015(.985)}{30{,}000}}{\frac{.012(.988)}{30{,}000}} = 1.25$$

The measured F ratio must exceed the value 1.15 in the table to pass the test. Since it does, we can reject the null hypothesis that the two are not different; or, we can say that the difference in the two response rates is statistically significant and is not due to mere chance alone. Therefore, Kit B, with a response rate of 1.5% is "better" than Kit A, with a response rate of 1.2%. The difference in the two response rates is said to be "real."

The following example illustrates the importance of proper sample sizes. Let's say the samples were 5,000 (not 30,000) in both cases. If so, then Z becomes 1.30. Looking up 1.30 in the Z table, we get 80.6%; the null hypothesis is accepted, and we conclude that there is not a statistical difference between response rates. The difference in the response rate may be real, but we are not able to confidently confirm this because the sample size is not large enough. We see that there are about 200 times out of 1,000 (100%-80%) when P_1 and P_2 are the same—much greater than three out of 1,000 when the sample sizes were 30,000 per cell. Thus, researchers conclude that there is probably no real difference.

The researcher must carefully design sample sizes for test cells so as to assure that neither too few nor too many names are mailed in any given test. The equations below are used to determine sample sizes.

Single Cell Tests. When you want to determine what the response rate range will be for one kit to one list, use this equation:

Formula for Calculation (Probability Equation)

$$N = \frac{(R) *(1 - R) * (C^2)}{E^2}$$

Where: R = Your estimated sales rate
E = Tolerable error in sales rate
C = Degree of certainty that sales rate is within error tolerance
N = Number of mailing pieces required

Example:

- Estimated sales rate: 0.40%
  $R = 0.0040$
- Tolerable error in sales rate: ± 0.006% (15% difference)
  $E = 0.0006$
- Degree of certainty 95% Confidence limit
  $C = 1.96$ (from Z table)

Result:

- Number of pieces required for that test:

$$N = \frac{(0.0040)(1 - 0.0040)(1.96)^0}{(0.0006)^2} = 42{,}514$$

Multi-Cell Tests. For tests where you are going to test Kit A vs. Kit B, or List 1 vs. List 2, use the multi-cell test equation:

Formula for Calculation (Probability Equation)

$$N = \frac{(R_A)(1 - R_A) + (R_B)(1 - R_B) \qquad *(C^2)}{(R_A - R_B)^2}$$

Where: R_A = Estimated sales rate for Cell A
R_B = Estimated sales rate for Cell B
C = Degree of certainty
N = Number of mailing pieces required for *each* cell

Example:

- Estimated sales rate for Cell A: 0.40%
  $R_A = 0.0040$
- Estimated sales rate for Cell B: 0.46%
  $R_B = 0.0046$ (15% better)
- Degree of certainty that estimated sales rates are different: 95% Confidence limit
  $C = 1.96$ (again from Z table)

Result:

- Number of pieces required for each cell tested:

$$N = \frac{(0.0040)(1-0.0040) + (0.0046)(1-0.0046)(1.96)^2}{(0.0040 - 0.0046)^2} = 91{,}375$$

These equations require that the marketer provide the acceptable degree of uncertainty (5%-10% for example), the projected response (R) and tolerance error (E) in sales rates for the kit(s) to be tested. The researcher should then calculate the sample sizes and confer with the marketer about the results.

The chart, Exhibit 5-1, on page 102 is provided for use in multi-cell tests and when we need to determine how many kits to mail per piece. The response rates for the "control" kit range from 0.10% to 1.00%, incremented by 0.05%. The tested kit is assumed to be 15% : from the control kit. For example if your control kit is projected to get a 0.5% response rate, then, if the test kit is 15% better than 0.05% (0.575%), and you mailed 72,500 pieces per cell, you would be approximately 95% confident that the test kit is statistically better than the control kit.

Therefore, if you initially determine what your control package rate of response will be (assuming it is between 0.1% and 1.0%), and you are willing to let the tolerable error in your sales rate be ±15% (in other words, the test kit out-pulls the control kit by 15%), then you can use this chart. There are numerous charts showing mail-out quantities for responses of greater than 1% and for tolerable errors of 1% to 50%. This is just one of those charts.

Model of Comprehensive Research and Testing Program

The flow chart, Exhibit 5-2, on page 103 depicts a new product/service development and implementation guide for direct-marketed products. The philosophy behind this model is that the consumer decides what products/services should enter the marketplace, not just the marketer.

Before the product development scheme is initiated, the program objectives are established by management, marketing, and research, and the budget-scheduling parameters are set. Once these have been set and approved, this scientific fact-finding mission is ready to determine the most successful products and product features for your company's product line.

1. Definitions

a. Pre-Consumer Activities. Review of past and present surveys from your company and industry sources; complaints from customers; resistance to sales; competitive activities; R&D department developments; consultant recommendations; all with the objective of looking for positive and negative aspects of the proposed product/service.

b. Company Brainstorming. Internal staff and key suppliers brainstorming—including marketing, advertising, research, customer service, data processing, legal, controllers, R&D engineers, consultants, actuaries, finance managers, and outside suppliers.

Remember the following rules:

- Suspend all judgment/criticism
- Promote free-wheeling atmosphere
- Build up each idea
- Remember that quality of ideas is the only objective

c. Generate Ideas. The goal of pre-consumer and brainstorming processes should be to generate ideas to be tested: new products/services, new features for existing products/services, new markets, advertising, offers, etc. These ideas are now further developed by two groups:

Prospective customers—current direct response customers and/or prospects, to whom you want to sell your product or service.

Other interested parties—systems people, legal staff, customer service, manufacturing, shipping, outside consultants, and advertising agencies.

Both of these groups should compose strategic workshops. For prospective customers, the process is more

Exhibit 5-1

OUT-PULL YOUR CONTROL PACKAGE BY 15.0 PERCENT

To determine how many pieces to mail of each test package and for the control package, find your anticipated control package response rate, then read down the column for the percent of accuracy that meets your needs (usually 90% & over) and just read across the row to obtain the necessary mail-out quantity for each package. This quantity will assure that a 15.0 percent greater anticipated test package response rate will be statistically measurable given your chosen level of accuracy.

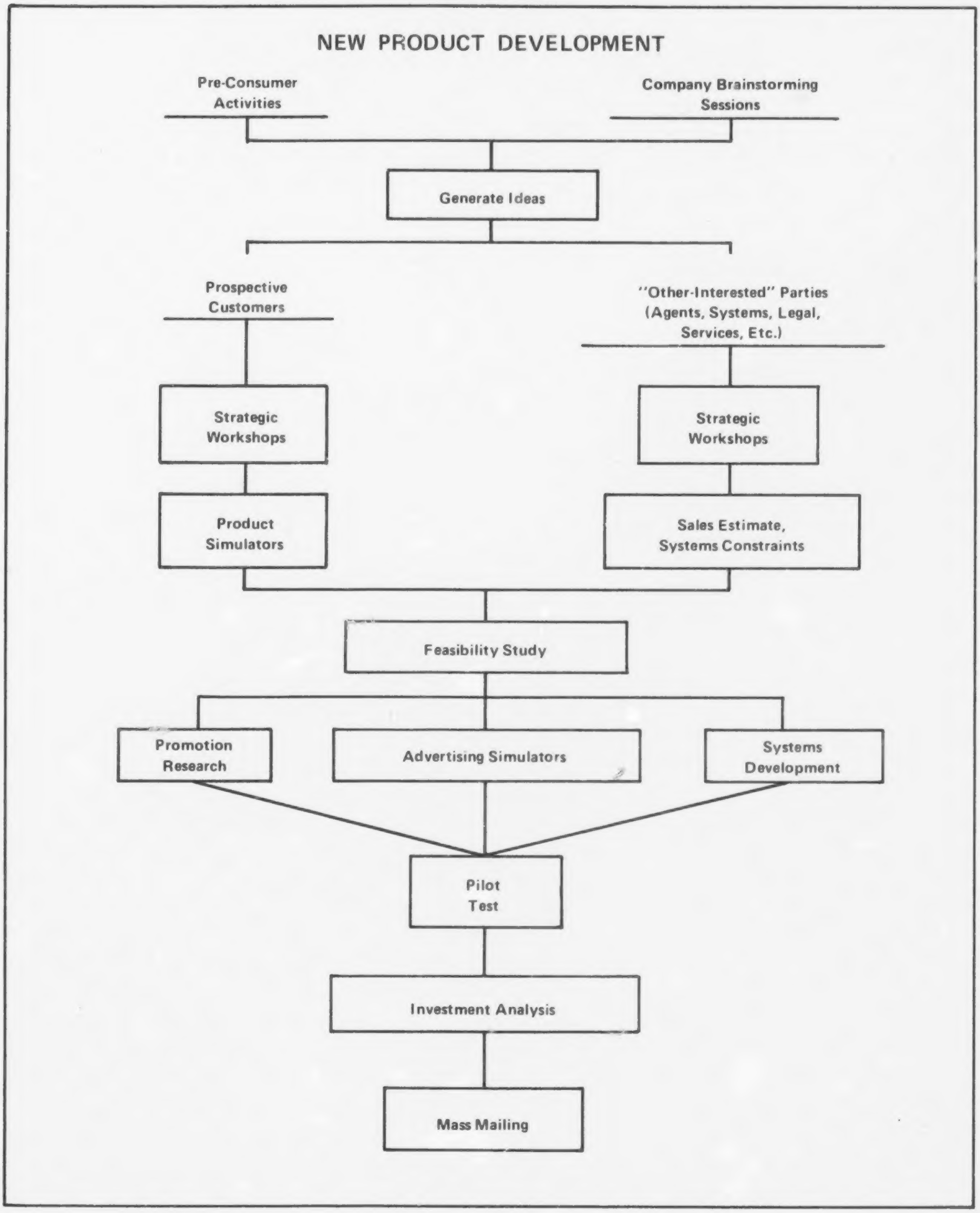
CONTROL GROUP RESPONSE RATE IN PERCENT

CONFIDENCE COEFFICIENTS

MAIL-OUT SAMPLE SIZE	0.10%	0.15%	0.20%	0.25%	0.30%	0.35%	0.40%	0.45%	0.50%	0.55%	0.60%	0.65%	0.70%	0.75%	0.80%	0.85%	0.90%	0.95%	1.00%
10000	25.0%	30.2%	34.6%	38.8%	42.4%	45.0%	47.6%	50.2%	52.8%	55.2%	57.0%	58.6%	60.4%	62.0%	63.6%	65.2%	66.6%	68.2%	69.2%
12500	28.6%	34.0%	38.8%	43.0%	46.4%	49.6%	52.8%	55.2%	58.2%	60.4%	62.0%	64.2%	66.2%	67.6%	69.2%	70.6%	72.4%	73.6%	74.4%
15000	30.2%	36.8%	42.4%	46.4%	50.2%	54.0%	57.0%	59.8%	62.0%	64.6%	66.6%	68.6%	70.6%	71.8%	73.6%	75.2%	76.4%	77.6%	78.8%
17500	32.4%	39.6%	45.0%	49.6%	54.0%	57.6%	60.4%	63.6%	65.6%	68.2%	70.6%	72.4%	74.0%	75.8%	77.2%	78.8%	80.2%	81.2%	82.6%
20000	34.6%	42.4%	47.6%	52.8%	57.0%	60.4%	63.6%	66.6%	69.2%	71.4%	73.6%	75.8%	77.2%	78.8%	80.2%	81.6%	82.8%	84.0%	85.2%
22500	36.8%	44.4%	50.2%	55.2%	59.8%	63.6%	66.6%	69.6%	71.8%	74.4%	76.4%	78.4%	79.8%	81.8%	82.8%	84.4%	85.4%	86.6%	87.6%
25000	38.8%	46.4%	52.8%	57.6%	62.0%	65.6%	69.2%	71.8%	74.4%	76.8%	78.8%	80.6%	82.2%	83.6%	85.2%	86.2%	87.6%	88.4%	89.4%
27500	40.2%	48.4%	54.6%	59.8%	64.6%	68.2%	71.4%	74.4%	76.8%	79.2%	80.0%	82.8%	84.4%	85.8%	87.0%	88.2%	89.2%	90.2%	91.0%
30000	42.4%	50.2%	57.0%	62.0%	66.6%	70.6%	73.6%	76.4%	78.8%	80.8%	82.8%	84.6%	86.0%	87.6%	88.8%	89.8%	90.6%	91.6%	92.4%
32500	43.8%	52.2%	58.6%	64.2%	68.6%	72.4%	75.2%	78.4%	80.6%	82.8%	84.6%	86.2%	87.6%	89.0%	90.0%	91.0%	91.8%	92.8%	93.4%
35000	45.0%	54.0%	60.4%	65.6%	70.0%	74.0%	77.2%	79.8%	82.2%	84.4%	86.0%	87.6%	89.0%	90.2%	91.2%	92.2%	93.0%	93.8%	94.4%
37500	46.4%	55.2%	62.0%	67.6%	71.8%	75.8%	78.8%	81.6%	83.8%	85.8%	87.2%	89.0%	90.2%	91.4%	92.2%	93.2%	93.8%	94.6%	95.2%
40000	47.6%	57.0%	63.6%	69.2%	73.6%	77.2%	80.2%	82.8%	85.2%	87.0%	88.4%	90.0%	91.2%	92.2%	93.2%	94.0%	94.8%	95.4%	
42500	49.0%	58.2%	65.2%	70.6%	74.8%	78.8%	81.6%	84.0%	86.2%	88.0%	89.6%	91.0%	92.2%	93.2%	94.0%	94.8%	95.4%		
45000	50.2%	59.8%	66.6%	71.8%	76.4%	79.8%	82.8%	85.2%	87.2%	89.2%	90.6%	91.8%	93.0%	93.8%	94.6%	95.4%			
47500	51.6%	61.0%	67.6%	73.2%	77.6%	81.2%	84.0%	86.2%	88.4%	90.0%	91.0%	92.8%	93.8%	94.6%	95.4%				
50000	52.8%	62.0%	69.2%	74.4%	78.8%	82.2%	85.0%	87.2%	89.4%	91.0%	92.2%	93.4%	94.4%	95.2%					
52500	54.0%	63.0%	70.0%	75.8%	79.8%	83.2%	86.0%	88.2%	90.2%	91.8%	93.0%	94.0%	95.0%						
55000	54.6%	64.2%	71.4%	76.8%	80.8%	84.4%	87.0%	89.2%	91.0%	92.4%	93.6%	94.6%							
57500	55.8%	65.6%	72.4%	77.6%	81.8%	85.2%	87.8%	89.8%	91.6%	93.0%	94.2%	95.2%							
60000	57.0%	66.6%	73.6%	78.8%	82.8%	86.0%	88.4%	90.6%	92.2%	93.6%	94.6%								
62500	57.6%	67.6%	74.4%	79.8%	83.8%	86.8%	89.4%	91.2%	92.8%	94.2%	95.2%								
65000	58.6%	68.6%	75.2%	80.6%	84.6%	87.6%	90.0%	91.8%	93.4%	94.6%									
67500	59.8%	69.6%	76.2%	81.6%	85.2%	88.2%	90.6%	92.4%	93.8%	95.0%									
70000	60.4%	70.0%	77.2%	82.2%	86.0%	89.0%	91.2%	93.0%	94.2%										
72500	61.4%	71.0%	78.0%	82.8%	86.8%	89.6%	91.8%	93.4%	94.8%										
75000	62.0%	71.8%	78.8%	83.8%	87.2%	90.2%	92.2%	93.8%	95.2%										
77500	63.0%	72.8%	79.4%	84.4%	88.0%	90.6%	92.8%	94.2%											
80000	63.6%	73.6%	80.2%	85.0%	88.4%	91.2%	93.2%	94.6%											
82500	64.2%	74.0%	80.8%	85.8%	89.2%	91.8%	93.6%	95.0%											
85000	65.2%	74.8%	81.6%	86.2%	89.6%	92.0%	94.0%												
87500	65.6%	75.8%	82.2%	86.8%	90.2%	92.6%	94.2%												
90000	66.6%	76.2%	82.8%	37.2%	90.6%	92.8%	94.6%												
92500	67.2%	76.8%	83.4%	87.8%	91.0%	93.4%	95.0%												
95000	67.6%	77.6%	84.0%	88.2%	91.4%	93.6%													
97500	68.6%	78.0%	84.6%	88.8%	91.8%	94.0%													
100000	69.2%	78.8%	85.0%	89.2%	92.2%	94.2%													
102500	69.6%	79.2%	85.4%	89.6%	92.6%	94.6%													
105000	70.6%	79.8%	86.0%	90.0%	92.8%	95.0%													
107500	71.0%	80.6%	86.6%	90.4%	93.4%														
110000	71.4%	80.8%	86.8%	90.8%	93.6%														
112500	71.8%	81.2%	87.2%	91.2%	93.8%														
115000	72.4%	81.8%	87.8%	91.6%	94.2%														
117500	72.8%	82.2%	88.0%	91.8%	94.4%														
120000	73.0%	82.8%	88.4%	92.2%	94.6%														
122500	74.0%	83.2%	89.0%	92.6%															
125000	74.4%	83.8%	89.2%	92.8%															

95% OR GREATER

Exhibit 5-2


NEW PRODUCT DEVELOPMENT

Pre-Consumer Activities
Company Brainstorming Sessions
Generate Ideas
Prospective Customers
"Other-Interested" Parties (Agents, Systems, Legal, Services, Etc.)
Strategic Workshops
Strategic Workshops
Product Simulators
Sales Estimate, Systems Constraints
Feasibility Study
Promotion Research
Advertising Simulators
Systems Development
Pilot Test
Investment Analysis
Mass Mailing

formal and rigorously controlled than for the "other interested parties," but in both cases you should approximately follow the same procedures.

d. *Strategic Workshops.* As input to these sessions, copy and rough layout must be prepared. This is a critical point in the overall activity, and the reason for having the ad agency creative people and/or marketing consultants take part in the initial phases of strategic workshops.

Descriptive copy and corresponding layout for prospective customers to evaluate is prepared with careful attention paid to avoid overselling the product with "bells and whistles," but to simply describe the product features so that they are understandable to the average customer.

- ***Sessions Themselves:*** The copy and layouts are taken to prospective customers in focus group sessions.

  Several small groups of up to ten persons are scientifically recruited for the groups and brought together to discuss and evaluate the concepts described in the ad copy. Two groups are held on the first night, 5:30 and 7:30 p.m. or 6:00 and 8:00 p.m. Careful attention is paid to positives and negatives common to both groups.

  A method that has been found to be useful to help overcome any biases introduced by a dominant panelist is to have the moderator of the group ask the panelists to score the idea being evaluated on a scale of one to ten. The panelists would mark the copy being reviewed and, then, when the discussion begins, they would be asked to read their score and defend it. In this way, if one person is very negative, this negative attitude can't change the other's score, and a more balanced review is maintained.

  Following the initial set of focus groups, another brainstorming/review session is held to incorporate the ideas generated by the participants. Copy and layouts are revised accordingly. Then, the revised ad copy is taken to an additional set of focus groups for further evaluation and feedback.

  The additional product modifications uncovered in the second set of groups either confirm and support the revisions or lead to new modifications. This second set of groups is then followed by yet another recap and summary session. Additional groups are scheduled if necessary. This far, qualitative data has been collected on the proposed products and/or on the revisions.

- ***"Other Related" Workshops:*** Like the consumer focus groups, the "other related" workshops are the forum to determine positives and negatives regarding the new product, just tested using focus groups. The objective of the workshops is to uncover any major problems or flaws that would prevent the new product from smoothly moving through the company's various departments. Changes and revisions are then incorporated into the product. If the changes are radical or major in nature, then further prospective customer workshops may be necessary.

  The focus group-workshop findings are utilized to develop actual sales material which is "simulator-mailed" to prospective customers along with a simulator questionnaire.

e. *Simulation.* Through the simulator technique, market acceptance statistics (response and revenue figures) are generated for the proposed new product. In addition, consumer opinion data is collected so that further modifications to the product/offer can be made where necessary. At a DMA Seminar (Spring 1983), Bob Stone stated in his luncheon speech that, in the 1980s, research techniques like *simulators* will be needed to assure a competitive position in the marketplace.

- ***Product Simulators:*** Prior to actually offering a product in a live test mailing, a simulator test is conducted. Typically, there are between three and ten possible product/list combinations that come out of the workshops—the product with this feature at this price vs. that feature at that price, and so on. The real value of the product simulator is that it obtains vital answers to strategic product questions *before* a system has been developed to manufacture, sell and service the new product. Before manufacturing, financing, inventorying, making computer system changes, and alerting competition, key statistics are generated to indicate the one or two best product versions.

  A few of the key data items that should be collected from a simulator are: Response propensity (live mailing type data: sales rates, revenue per sale, utilizing computer models comparing live results with parallel simulator results); demographics of buyers vs. non-buyers; reasons for buying/not buying; desirable payment modes and methods; product positioning, feature importance and believability; and systems support needed.

  The simulator mailing is composed of: postcard notification that a simulator package will be sent; simulated ad copy; either a two-color brochure and order card, or a letter and order card, or a complete ad package (letter, brochure and reply device, or print ad and coupon).

  The simulator questionnaire should have a cover letter, and the questionnaire itself should contain key questions related to response and financial behavior; questions on product features, benefits, offer aspects, competitive activity and demographics.

  Other components: Incentive pen (for respondent to keep); outer envelope; business reply envelope; mailing label; sample size per cell—typically 1,500 to 10,000 depending on list and objectives.

- ***Sample Simulator Questions:***
  - What would be your reaction if you had received the enclosed offer in the mail? What would you do?

- Which plan would you select if you were to apply for the product offered?
- To help us clearly present the plan in future advertising, would you please use your own words and describe the product being offered?
- Listed below are "features" of the product advertised. How you feel about each one? (Please indicate by circling one number after each "feature" depending on how you feel about it.)
- For statistical purposes only, please answer each of the following questions.

Careful analysis of the returned simulator survey is required in order to develop the above data. With trial and error, equations can be determined that result in predicting response to within 15% of the actual response rate.

- ***Simulator Use.*** The use of the simulator for solving direct marketers' needs is endless. All large and small product changes can now be analyzed and tested without having to actually offer the product for sale! This method can, therefore, be used to pick winners and most importantly avoid failures.

  The simulator also helps identify why a mailing offer worked as it did, why it was successful or not, and how a company can change its direct mail advertising to develop better advertising packages.

f. Feasibility Study. The data provided by the workshops and simulators are then combined into a study analyzing the financial aspects of the new product offering.

At first (mid 1970s), simulator data provided only crude predictions of which mailing offer was best and which one was worst. But over time, this technique has been refined to predict response rates, revenue per sale, and other financial data needed to perform an analysis to choose product X over product Y. The feasibility study phase uses these statistics and generates basic pro-forma statements to pick the relatively best product from among those tested.

The simulator survey questions also lend support to product decisions—looking at image question results, demographics and the like. Also, inputs from "other related parties" are evaluated (systems' questions on plans purchased, payment plans desired, etc.) and a comprehensive feasibility report prepared. At this stage a product can be rejected because of profit, distribution, legal, systems, and/or manufacturing problems, thus saving the company untold dollars.

A successful product can continue on to the next stages.

g. Promotion Research. If the direct market product will be supported by TV, radio, newspapers, or magazines, then traditional testing methods can be employed to design the best commercials or ads. Audience testing of TV commercials such as done by McCollum-Spielman can be employed to test rough commercials. Proposed magazine ads can be prepared and subjected to simulator testing as described under "advertising simulators."

h. System Development. During this stage, computer system modifications can be made based on the results of the product simulators. Key systems data should be worked into the product simulators in order to evaluate and build optimal systems. For example, if a new insurance health product was tested, and it was determined that only six of the 15 offered health options were "bought" by the simulator buyers, then the system should be designed around the six, not all 15. Thus, savings in time and people in programming are realized.

i. Advertising Simulators. Like the product, the advertising simulator is used to predict the best advertising without having to do a live mailing. Many varied and novel approaches can be tried to pick the one or two copy and layout combinations that produce the most "buyers." Live offers can be developed around "winning" platforms.

The benefit: a hit or miss approach in live testing is avoided, and copy direction is set for optimizing live results.

An advertising simulator is made up of actual advertising copy, art work, and reply devices (print "specimen" across the front to avoid liability for a sale), as well as the simulator questionnaire and cover letter, pre-announced postcard, incentive pen, and business reply envelope.

j. Segmentation Analysis. Before discussing the design and set-up of a pilot test model, it is useful to review some of the various techniques that are currently used to segment and target mailing lists for direct response products. Techniques currently being used may be classified into the following approaches:

- Second guess approach
- Past sales experience
- Using management goals
- Focus groups
- Survey approach
- Source codes
- Statistical techniques
- Heuristic model

Second Guess Approach. Decisionmakers often have a "hunch" that a particular product would be a "hot" item to market to a certain segment. Typically, such groups as recent mail order buyers, families, and/or new (internal) accounts are thought to compose good prospects. While this technique is simple, quick and sometimes "works," it neither guarantees success nor is it an optimal solution as to the question of "who to mail" for your product. It might be considered a "hit or miss" approach at best.

Past Sales Experience. This method might be thought of as an "informed hunch" approach. Rather like the second guess approach in that it uses a guess for targeting mailing lists, it does, however, use results based on past mailings to indicate potential buyers for future mailings. Past sales experience might reveal that such groups as new movers, active accounts, and new families were "good" groups to sell. Particularly for cross-selling and up-grade programs, this method may be thought to be useful. The technique is simple, fast, often works, and it has past experience to back it up.

However, again like the second guess approach, it does not guarantee success, especially for a new product, new list, and/or new product/list combinations. In addition, it is not an optimal approach even for a previously tested product and/or list, because it does not take into account such things as seasonality factors, demographic list changes or changing economic or political situations. By using past sales experience as a segmentation technique, one assumes a static marketplace which is hardly the case in our fast-paced, ever changing society.

Management Goals. When using the technique of management goals, the direct marketer is often asked to design mailing campaigns around a market decided upon by upper management. Management's goals may be based upon futurists' projections, new laws, or even current fads. For example, management may decide to "go after" families with or without children to build up that particular book of business or Fortune 1000 buyers. In addition, management may decide that the company needs at least $X per month in sales, and, to meet that goal, recommends a particular product/market mix.

To meet these goals, the direct marketer looks at the total program for the year and selects mailing lists that fit their objectives. Measurement of results would be reflected in the company's income statement for the year or in the income statement for the total program.

As with the other approaches, using management goals for segmentation of lists does not guarantee success for each of the individual mailings or for the program as a whole. There is, also, the potential for the loss of thousands and even hundreds of thousands of dollars before an unsuccessful program is stopped, due to unprofitable mailings.

Focus Groups. Focus group testing involves the technique of using small group discussions by consumers to evaluate advertising, products, or ideas. By observing the discussions through a one-way mirror, market researchers can get an idea of how their product is perceived by their target market. Very often, it may "appear" that "seven out of ten" participants liked the product or idea and that they would buy it. And, sometimes these results are used to "roll-out" a product, often with limited or no success at all.

Unfortunately, when marketers use this technique for segmentation purposes, they are applying a qualitative market research tool to a quantitative problem. Focus group testing can *in no way* quantitatively define your product's market and should never be used for such purposes. See the section under *Strategic Workshops* for a more thorough discussion of focus group testing.

Surveys. Often, direct marketers may use survey research to segment their mailing lists. This may be done in one of the following kinds of surveys, or a combination of several:

- ***General market surveys:*** Mail, telephone, or personal interview survey research may be conducted to get an idea of which group of consumers might like a particular product in terms of demographics and psychographics. A count of "definite" buyers may be done.
- ***Past buyers:*** Surveys of past buyers may be conducted to determine what they most liked about the advertising or product that they bought. A description of list attributes may be collected.
- ***Persons mailed:*** Consumers who received a particular mailing may be surveyed to determine reasons why they did not buy. List attributes may be collected to determine groups to avoid for future mailings.
- ***Cancellations/Terminators/Lapsers:*** These groups may be surveyed through mail, telephone or personal interviews to determine reasons for cancelling or dropping a product or service. Again, direct marketers may take note of various demographic and list attributes to determine whom not to mail in the future.
- ***Panels:*** Surveys may be conducted through the use of national consumer panels to determine demographic and psychographic descriptions of potential buyers.

Survey research, although very helpful for giving insights as to why a particular package, advertisement, and/or product may or may not "work," is not a statistically valid method of targeting a mailing file unless the sample sizes are very, very large.

Conducted properly, classes or categories (large segments) can be identified to point out demographic or psychographic groups or buyers vs. nonbuyers. While not valid for pinpointing cutting points for a segmentation model between profitable list segments and unprofitable ones, surveys can direct you to lists or list segments to live-test and to lists or list segments to avoid. In addition, surveys can aptly test management's "hunches" as to whether or not they are on the right track.

Source Codes or Mini Matchkey® Analysis*. Another favorite method for segmentation that direct marketers use is kit and list codes. Codes may be grouped according to list attributes such as date of last purchase, balance due, credit scores, or date opened (of account). Mailout counts of these categories can be made at the time of list processing. These counts act as the base upon which sales will be compared to find high vs. low responding groups. Returns may be counted manually or by computer (a good use for some personal computers), and a response rate is calculated by categories.

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*Matchkey® is a registered trademark of Direct Marketing Research Associates.

If there is a good discrimination in terms of response rates between the list attributes that are selected for the list codes, this method may be useful to select segments for a future mass mailing, based only upon the list attributes that were tested. Again, however, this method is "pre-guessing" (from a test mailing) which segments may be useful to mail in a "roll-out" campaign. By "pre-guessing" list attributes to be coded and counted on the mailout and mailback form, the direct marketer is overlooking misgrouped data, other list data which could be even more discriminating in defining buyers and non-buyers. This method can be very useful if you only mail to lists with very few list characteristics, and all combinations can be coded.

Statistical. In recent years, direct marketers, have begun to use several statistical techniques and packages to segment mailing files. These techniques are based upon the use of independent and dependent variables with X being the independent variable and Y being the dependent variable. The dependent variable is expressed as some function of the independent variable, i.e. $Y = f(X)$. Some statistical methods that are currently being used are:

- Graphic Methods
- Regression Analysis
- Path Analysis/Tree Diagram
- Cluster Analysis
- Heuristic Model

– ***Graphic Method.*** The graphic method (plotting response rate by each variable) can be simple and fast to perform if there are only a few variables to be analyzed. However, if there are many variables involved, it can be time consuming, and mechanical assistance is required. Also, when using this method, the direct marketer needs continuous data, i.e. data that is on an ordinal scale where one number is greater than another number. Often, however, data is not continuous and cannot be used with this technique. In addition, the analyst must be aware and cautious of the subjective nature of the plotted line.

– ***Regression Analysis.*** Regression analysis is a mathematical approach to the solution. This type of analysis can handle complex data, but it assumes that the data is linear or some other simple function. Data must be additive in nature, i.e. age. Non-additive data such as income/male vs. income/female (nominal data) needs special handling and solutions. Moreover, the market analyst usually needs a computer and programs to run a regression analysis. Once run, the analyst needs to re-run the data to "score" the file, to project response rates, to determine the percent of list, and to determine response rates by group—so that a mass mailing decision can be made on to whom to mail and who to purge.

– ***Path Analysis/Tree Diagrams.*** Data in this type of analysis is treated like source codes in that response rates are tabulated for all combinations of nominal variables (or pre-grouped internal data). It maximizes the proportion of the independent variable for a "tree-group" by splitting the dependent variables into groups. Bimodal results (two modes, or more, having equally-high frequencies) need special solutions. Computer packages that use this technique are usually limited by the number of variables that can be analyzed at one time, as well as the number of values of each variable.

– ***Cluster Analysis.*** Cluster analysis involves the grouping of variables by similar characteristics such as income, age, number of years at address, etc. A reduction of data is accomplished through a factor analysis. This form of segmentation is very expensive if files and data to be reduced are large—over 30,000 names and over 50 variables. Computer costs can run into thousands of dollars for a single run (correlation matrix, then cluster groupings).

Once clustered, response and sales statistics are computed for the clusters. While clustering does not have to be redone frequently, every time a real change occurs in the underlying data, it is advisable to re-cluster.

When using "census" or other geographic data for segmentation, a clustering approach is usually done to reduce the hundreds of census variables down to a manageable few. Then, the clustered data is analyzed.

There are limitations to some of these computer analysis programs/techniques. When examining the data to be analyzed, it is important to keep in mind the types of data and how they should be interpreted. The following section reviews the different kinds of measurement scales that may be encountered when running an analysis.

Nominal Scale: A simple property of a number is its identity.* A person's account number is an example of a nominal scale. Other examples are a sex code or a source code. These types of variable values, although not suited for regression analysis, may be interpreted individually (using an AID program) for meaningful response classifications.

Ordinal Scale: Another property of a number is that of order. The number "2" is greater than the number "1" and "3" is greater than both "2" and "1". An example would be the assignment of a number "1" to denote freshmen, "2" to denote sophomores, etc. Other examples would be a credit rating or scoring. These types of variable values can be grouped together and response rates for these groups can describe behavior in a meaningful fashion.

Interval/Ratio Scale. A third property of numbers is that the intervals between them tell how far apart objects or items are with respect to the attrib-

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*Churchill, Gilbert A., *Marketing Research: Methodological Foundations*, The Dryden Press, Hinsdale, IL, 1979, p. 208.

ute. The *differences* can be compared. Thus, the difference between "1" and "2" is equal to the difference between "2" and "3." Further, the difference between "2" and "4" is twice the difference between "1" and "2." The zero point of such a scale is quite arbitrary.

The ratio scale differs from an interval scale in that it has a *natural* and *absolute* zero. Height and weight are examples. With a ratio scale a comparison of the absolute magnitude of the number is legitimate. For example, a person weighing 200 pounds is said to be twice as heavy as a person weighing 100 pounds. In addition, with a ratio scale we can compare intervals, rank objects according to magnitude, or use the numbers to identify the objects.

Ratio scales do not allow the addition of an arbitrary constant as in the interval scale. The conversion of feet to inches is an example; a foot is exactly 12 inches. All of the relationships among the items are preserved, whether the comparison is made in feet or inches.

Examples that are typically encountered when running an analysis that illustrates interval and/or ratio scales would be such variables as Age, Date Open and Dollar Amount of Purchases. These types of variable values must show some type of direct or indirect response relationships to be meaningful. If this is not the case, then they should be grouped by response and treated as ordinal data. These data items are suitable for regression analysis, but not for an AID analysis that calls for groupings of data before their responsiveness is known.

Some computer analysis programs/packages assume that the data displays linear relationships only, which is not always the case. Others require you to group the data into "binary" variables before the analysis, i.e. male or not male, age 30-35 or not aged 30-35, bought before or did not buy before. These groupings may not correspond to actual buying behavior, and their analysis will not show all of your profitable and unprofitable segments.

In addition, they can be much more expensive in actual execution and interpretation than a Matchkey® approach. Also, if you mail 200,000 or more during your test, computer analysis packages may require many thousands of dollars in just computer costs to analyze.

Many of the statistical methods, however, should lead to segments of prospects that statistically responded at or above the target response rate, more so than "second guessing" to whom to mail.

Heuristic Model: Matchkey® Analysis. The Matchkey® analysis approach described in this article may be viewed as a heuristic or learning approach to the problem. The model can describe a particular situation with very complex data. A global optimum solution is not guaranteed. However, the approach does combine statistical methods based on the data types of the variables being analyzed, in near optimal combinations by using step-by-step computation. Again, a computer is needed for the handling of data files. A detailed description of the steps that are involved follows.

k. Pilot Test Model: Matchkey® Approach. A pilot test or live test is a most crucial step. If designed wrong or biased in any way, the results become meaningless, not to mention the loss of real expense dollars for the mailout and lost future dollars.

It is during this stage that the scientific approach becomes most valued. Using the statistics of hypothesis-testing and sample size determinations, a properly designed live test practically guarantees success for a product tested under this model.

Elimination of Biases. Properly designed live tests call for the following:

- Test grid
- Sample size determination
- List processing
- Matchkey® analysis
- Buyer/non-buyer surveys

– **Test Grid.** A test grid determines if the right variables of the offer, list, and advertising are being tested. For example, the following would test two copy approaches (e.g. price and benefits), two lists (in-house and over 50 year olds), and an incentive vs. none:

		LISTS	
Incentive (1) No Incentive (0)		IN-HOUSE (1)	OVER 50 YEARS OLD (2)
COPY	Price (A)	1A1 1A0	2A1 2A0
	Benefits (B)	1B1 1B0	2B1 2B0

(Key: List, Copy, Incentive, i.e. 1AO means in-house list, price, copy and no incentive)

Each box in the grid is called a cell. If a third list were added, four more cells are needed. Without such a grid, it becomes more difficult to develop cell codes and to visualize what is being tested. With a grid, if something is incorrect, changes may be easily made.

– **Sample Size Determination.** (See earlier discussion for details and how many to mail in each cell.) Often, the cost to test all cells is more than the available budget. To overcome this problem, consider the following:

- Increase the budget.
- Reduce the confidence range of your tests. In effect, mail less per cell. However, it is more difficult to decide a winner since statistical accuracy is reduced.

Carefully study the test grid to "see" if all the cells tested are absolutely necessary. For example, try the in-house list just on copy approaches or drop the incentive test.

Collapse cells. Instead of testing the incentive in our example as individual cells, mail half as many in the incentive cells. Then compare copy A + B + no incentive + list 1, to copy A + B + incentive + list 1, and do the same for list 2. Next compare 1 + 2 + no incentive + copy A to list 1 + 2 + incentive + copy B. If the "incentive" cells always have statistically valid response rates greater than "no incentive" cells, then apply the average incentive increase to the best "no incentive" cell—in order to project its response rate when coupled with the incentive. This and the response rate from best cell and incentive should turn out to be statistically equivalent. The latter could not be used directly since too few pieces were mailed for this cell to be separately analyzed. (This method is not recommended if precise projections of test data are needed, as it gives, at best, a calculated response rate.)

– ***List Processing.*** This aspect is your gold mine or salt pit. Too often, we gloss over this stage and end up missing the opportunity to guarantee some profitable mailing segments for a mass or roll out mailing. List processing is the scientific development of an analysis file constructed during the selection of the test mailing list(s).

With all data coming off computer files, we have the opportunity and obligation to create as rich an analysis file as possible. Generally, the more information the better. The analysis file is composed of the names and addresses and key codes of each person selected for the test, along with all your company's accounting information about each person mailed; direct response buyer information; gender information (Mr. = males, Mrs. and Miss and Ms. = females; or male names = males, females = females, initials = initials, misspelled names = unknown); ZIP code, carrier route, and/or block group data plus source of list or name information. In addition, if a merge/purge took place, data on list 1 and 2 and 1 and 3 or 1 and 2 and 3, etc. should be retained, since this is valuable analysis file data.

Match test lists to other in-house and outside files and create powerful enhanced lists. Files that may be used include: Census files (ZIP, carrier route, block group level); age-actual or inferred; driver license information files (VIN data); other in-house files; and mail order buyer files. Often, mailing and data files can be obtained from list brokers who charge according to use. A good business strategy is to negotiate these files for a small charge during the test and then pay for it only if used for the mass mailing. This will also benefit the list broker who will make more money on mass mailings than on test mailings.

This analysis file is now your gold mine. And the beauty of this approach is that you do not have to "guess" which are the better lists. The analysis of your sales matched to the analysis file will show your segments on your list(s) that are responding at profitable rates and point out all unprofitable segments.

The targeting process works on lists of 20,000, 50,000, 1 million and 25 million. In fact, if your list is 20,000 to 80,000, and everyone is mailed your offer (in other words, no testing), you can still perform a Matchkey® analysis. An analysis file should still be created during the list processing stage. Treat your 20,000 mailing as your initial test to determine profitable segments for an immediate remailing. In this way, the original or initial mailing gives you "full" research data for your second, targeted remailing.

The analysis file data should include such specific items as: A match code for matching sales to the analysis file; date of last sale; original date a customer was entered on the file; dollar amount of purchases; number of purchases; current balance owed; product(s) bought; gender; and data from other lists matched.

When processing, careful attention should be taken to "clean up" the files. Erroneous data, bad names, duplicate names, etc. should be eliminated. In addition, documentation should be kept of the processing and the *record formats* of all files, both input and output. When setting up analysis files, a *retention date of at least one year* should be put on the tape or disk label information. This is to enable you to do a post mailing overlay analysis, as well as to check for mistakes or anomalies later on.

- ***Data Collection: Sales.*** Collection of sales data, while seemingly simple, can be easily mismanaged. Erroneous or missing data can result. Your sales data's accuracy depends on several people as it is being collected. Thus, it is important to continually monitor this process with one person in charge of monitoring the data collection. Sales data can be collected in several ways, including:

  – Copying of applications upon receipt, then keypunching the data to either computer cards, disk or tape;

  – Keypunching directly onto cards, tape or disk as part of an established system for application (or order processing). Note: Use computer files of buyers cautiously. Very often, there is no provision for a Matchkey® (or editing of a Matchkey® field). Consequently, the file processing may be relatively slow. Sales may be missed if not immediately input and not all sales data is keyed. Dates and kit codes should probably be collected as a check.

- ***Copying of Applications.*** This method, the more cumbersome of the two, can be more easily monitored, controlled and accurate. The steps involved are:

– Specially coded test applications can *come back directly to the mail-room* (as with a regular mailing) or they can have a special *Business Return Envelope (BRE) or P.O. Box with the research department's address*. The latter method is preferable.

– Research Department BRE: Sales data is collected immediately for research purposes as applications are received with sales data. The application can (should) be keypunched within one to two days of receipt. After keypunching, applications are then sent to the regular order processing department. No photocopying is involved. Keypunching can be done on an in-house machine or by an outside vendor who is able to make daily pick-ups and deliveries of applications.

– Direct return to the mailroom: If this method of tracking returned applications is selected, the coordinator of the project must insure that the following steps are taken: The test application should contain a special code to distinguish it from regular order applications; if the original application is kept by the order processing department, photocopies should be made. *The copies should be clear and contain all the information (application information should not be "cut-off" by poor photocopying procedures)*; and photocopies then go to the research department for keypunching or go directly to the keypunching service.

- ***Keying Directly As Part of An Established Or New System.*** If the order processiing department can work with you and is able to adapt their information processing to meet your research needs, direct keying can be accurate, helpful, and less cumbersome than the prior method discussed. However, personnel, time, or record format considerations of the order processing department often make a smooth relationship difficult. If this method is chosen, the following should be noted:

  – A special code should appear on the test application to distinguish test sales from regular sales.

  – The record format directly keyed onto the system should meet all your research needs. This record format should include the Matchkey® code.

  – The keying operation should be monitored as sales are received.

  – All sales information, contained on a tape or disk, should be accessible at all times.

  – For all methods, daily counts should be kept for all incoming test applications and, ideally, a graph of returns vs. time should be kept to determine when to "cut-off" the collection of sales information. Generally, the cut-off is four to five weeks after the drop date. However, the cut-off time should be based upon your knowledge and prior experience with the offer. Also, returned "sales" can be reduced for final analysis by non-paying customers, returners or other bad debt sales.

- ***Record Formats.*** The record format built from the sales application should have the following information:

  – Matchkey® code (either assigned sequence number, account number or Matchkey® code built during list processing). The Matchkey® code may also be built from the name, address, and ZIP code taken from the application upon receipt. However, if the address has changed, the Matchkey® should be built on the original address to insure a match against the originally mailed record.

  – Order information: product(s) bought; type of product bought (if applicable—i.e. standard or deluxe); who bought for (if applicable—i.e. individual, spouse, children); and amount paid for product(s).

  – Special information: i.e. underwriting or credit information (health information, for example, for insurance offers); birthdate; deadline dates for buying; and catalog page numbers, order codes, etc. if needed for segmentation.

The order information is used to give you a profile of who bought and what type(s) of product(s) were sold. In addition, the total dollars generated by the offer can be computed. This information can be especially useful if two or more test kits are mailed, as the "winning" kit is usually based on total dollar sales, return on investment, etc. rather than response rate alone.

Special data such as customer quality information (i.e. underwriting data for insurance companies or credit data for banks or retail establishments) can also be especially useful when determining total net or "good" sales. For example, if there are underwriting concerns because of answers to questions on the sales application, these can be simply eliminated during the first Matchkey® run.

Sales record formats can be general (to fit most mailings) or they can be customized for each mailing. The Matchkey® code and order information, however, should always be included.

- ***Checklist To Avoid Problems.*** This section contains key questions that should be asked to prevent errors during data collection for the Matchkey® Analysis.

– Printing and outgoing mailroom procedures:

Are all test packages inserted correctly? Do they contain all the pieces that make up the mailing?

Are accurate counts kept?

Are all test packages dropped on the correct drop date(s)?

Are Matchkey® codes correctly assigned and printed (not cut-off or missing) so that they appear on applications that are returned?

Are kit codes correctly assigned and respond by dates accurate?

– Incoming mailroom procedures:

Are all test applications sent to the right department? How fast are they sent?

What happens to undelivered mail from the test? Is the undeliverable rate over 5%?

– Copy of sales applications: Are clear and complete copies made of all sales applications? Are daily counts kept? Are any duplicate copies made?

– Keypunching or inputing data onto the system:

Are applications being correctly input with all data recorded? Note: It is helpful to put a card number in column 80 on the sales record so that an 80 column record is read in on the sort and read out as 80 columns long.

Are all copies keypunched?

If tapes are made, are they correctly formated and kept? Are they documented? Are only test sales on tape?

Is enough time allowed for all sales applications to be collected?

– ***Matchkey® Analysis Technique.*** The key tool for direct marketers is the Matchkey® analysis. Having properly handled the list processing aspect, collection of sales, elimination of bias, and use of proper sized samples, one can match sales (using the Matchkey® on the analysis file and the same key on the sales reply device) to the analysis file. A credit card account number can be the Matchkey®. When such a number is not available, then a single sequence number can be used, or an alphanumeric match code made up of prospect's name, address, and ZIP code. (Careful attention should be made to cleaning out duplicates or specially coding them, in order to assure an accurate match.)

- ***The Analysis.*** The following changes affecting direct response that can be continually monitored by using the Matchkey® Analysis are:

– Advertising changes. Advertising packages (including copy and graphics) can affect response rates.

– Changes in data on lists. Daily, monthly or yearly changes in such list variables as purchase behavior, credit charges, balance, etc. can be analyzed.

– Changes in buying behavior. Buying needs and, thus, the consumer's behavior, are continually changing in response to such factors as economic conditions, family composition, and lifestyle. These will affect response rates. Because of these changes, all segmentation models "wear out" very quickly and should *not* be relied upon for more than six months after their creation. Advertising changes affect response rates. Thus, a segmentation analysis must be redone. This also applies to changes in list data and the buying environment.

Matchkey® analysis offers the following advantages over other methods of analysis:

– Does not require any particular computer system or set of data as required by some other systems.

– Uses existing customer file information such as: Current accounting data; Historical data; Response data; but it is not limited to these data. It can be readily adjusted to handle 160 census variables along with current in-house data.

– Can be used with list enhancement techniques. For example, an outside list (with data enhancements) can be overlayed with an inside customer file to produce an "enriched" list of targeting variables. This overlay can be used to respond to changing conditions.

– It's flexible: Can easily accommodate new or changed file formats.

– It's user-oriented: Developed by direct market researchers and can be easily used and modified.

– Allows the analyst to control the data and not rely on purely computer-/mathematical techniques.

Target response rates for a mailing or telemarketing should be determined by management before the analysis begins. They are typically based upon breakeven or return on investment criteria. The Matchkey® analysis system is used most optimally when target response rates are predetermined.

Once the sales have been computer-matched to the analysis file, the analysis can begin. There are several approaches possible: Single variable frequency and then cross-tabulation of variables that appear to be key indicators of buyers. *For example:* See chart numbers a). to c). below:

Variable Dollar Balance Currently Due	**Mailed**	**Sales**	**Percent Sales**
$0	25,510	120	0.47%
$1 to $10	51,300	320	0.62
$11 to $25	43,180	330	0.78
$26 to $50	31,250	280	0.90
$51 to $100	28,310	300	1.08
Over $100	49,230	600	1.22
	228,780	1,950	0.85%

a). There appears to be a direct relationship between balance due and sales.

Gender First Name	**Mailed**	**Sales**	**Percent Sales**
Male name	137,270	1,480	1.08%
Female name	52,110	330	0.54
Initial (no first name)	25,380	90	0.35
Unknown name	14,020	50	0.36
	228,780	1,950	0.85%

b). There is statistical proof that males are the best buyers. If we need 0.80% or more in order to break even, we might conclude that we should mail to males only to get the maximum list mailable. However, if you cross-tabulate female names with high balances (over $100) we might find another profitable segment.

Cross-Tabulation of Female Names and Balance Due

Variable Females	**Mailed**	**Sales**	**Percent Sales**
with balance:			
$11 to $100	15,185	41	0.27%
Over $100	22,220	200	0.90
	37,405	241	0.64%

c). Now, looking at female names with a balance over $100 we find their response rate to be 0.90%. A 90% confidence limit on that rate is 0.85% to 0.95%. We can, therefore, add in this segment, since the lowest projected response would still be above the 0.80% break-even rate.

- ***Case History: Matchkey® and Regression.*** A recent analysis, for a large U.S. direct marketer, studied the difference between regression and Matchkey® analysis. The regression analysis developed values of 0 to 100 for each name mailed and concluded that 0 to 20 would be unprofitable to mail; thus, values 21 to 100 were profitable to achieve a 0.35% response or above. Matchkey® analysis found that groups 1 to 7 were profitable to achieve a 0.35% or above, and group 0 (remainder) to be unprofitable. A cross-tabulation of the two methods resulted in the following:

Actual Response Rates (7/83 Analysis)

	Regression Model Decision		
Matchkey® Decision	**No Mail**	**Mail**	**Total**
No mail	0.09%	0.10%	.09%
Mail	0.40%	0.50%	0.46%
Total	0.20%	9.36%	

Size of Segments

Matchkey®	**Regression**	**Universe (2 Million names)**
No mail	No mail	14% of list
No mail	No mail	21%
Mail	No mail	28%
Mail	Mail	37%
		100%

While regression did find segments that would achieve the sales goal of 0.35% or above (37% of the universe), the Matchkeyed® groups obtained more names and response and thus were not profitable (about ⅓ of the regression group was unprofitable as it achieved only a 0.1% response).

- ***Checklist to Avoid Problems: Matchkey® Analysis.*** Following is a checklist summarizing things to watch for when conducting a segmentation analysis:

  - – Poor Documentation (of analysis file)
  - – Mailout Tapes Prepared Incorrectly: No data; less data than requested; erased data; values not expected; garbage data.
  - – Schedules Not Met
  - – Poor Collection of Sales: Original data changed; photocopying; less than 100% are collected; duplicate sales.
  - – No Matchkey® (or truncated)
  - – High Mailout Destruction—Not collected
  - – No Counts/Reports of Quantities Mailed out
  - – "Data Processing Blocking": Less data than possible is provided; non-direct marketing attitude by D.P.
  - – Selection Not Random
  - – Misprinted Codes: Source codes; matchkeys; kit codes;
  - – Error in Ad Package: Too much delay between analysis and mass mailing; Seasonality effect on data

Any number of customer data bases have become candidates for target marketing, but they have not proved successful in isolating buyers from nonbuyers. Many times the single reason is that the data about customers and customer lists in general are not composed of "clean" facts about the customer. Often times they are full of duplicates, coding errors or old data. Therefore, before a full scale Matchkey® analysis is undertaken, careful and meticulous effort should be taken to clean up the files. This clean-up can net out a profit by eliminating erroneous data, bad names, duplicate names, etc., and, in the process, give your customer better service through cleaner transactions.

- ***Bonus Analyses.*** The Matchkey® analysis technique can be most helpful in performing a special task—determining the effect of a direct mail offer on agents, salesmen, or retail sales. A perennial problem in direct marketing is determining whether a direct mail offer helps, hurts, or has no effect on other sales made by other distribution methods (salesmen, agents, store retail sales). To answer the question, the researcher merely sets up two samples: a mailed sample and an identical unmailed sample (called the control sample).

  Then, after the mailing takes place, computer match (by alphanumeric match code) all salesmen, agents, and/or retail credit customer sales that were posted after the mailing took place to both samples. In reporting the difference in matched sales between the two samples, show what effect a mailing has on other distribution systems' sales. If the mailed group's sales are higher than the non-mailed group, it would appear that the mailing boosted other distribution systems' sales. And if the mail sales were profitable, your company has the best of both distribution systems. Of course, the opposite could occur and should be reported.

  Analysis and buyer files should be also kept so that a *post mailing overlay analysis* can be performed. This analysis calls for taking outside files, census files, other in-house files and overlaying them on your analysis and buyer files to "see" how your mailing's performance can be enhanced by the data on these "other lists." These overlap-analyses can prove to be both profitable and very revealing by identifying your buyers from non-buyers and giving you a "picture-profile" of them.

– ***Buyer/Non-Buyer Survey.*** Questionnaires are sent out to both buyers and those receiving the mailing to ascertain qualitative and quantitative data about why the mailing worked as it did. At least 2,000 questionnaires are mailed per tested cell, and all buyers are surveyed. The questionnaire looks for answers such as:

Was the mailing recalled, read and considered?

And how do these rates differ by kit tested?

Why did the reader reply or not reply to the offer?

What did the reader think of the product/services, offer, features, and advertising copy?

Was the advertising copy headlines and offer believable?

How important were the product's features? Are the most important features also believable?

Demographics of buyers and non-buyers. And, who liked/disliked the various features of the product? Clues for improvement?

What are the readers' opinions of other products/services being offered or planned to be offered? (To get insights into cross-selling possibilities.)

The non-buyer questionnaires are mailed out 10-15 days after the mailing itself is dropped. The buyer questionnaires are sent out as buyers' enrollment forms are received by the company. Any non-buyer questionnaires that indicate that the person bought are coded into the buyer group and are so analyzed.

These surveys help management "understand" the sales process in terms of customers' attitudes and opinions. The results are used to develop or modify new advertising to further maximize return on the direct mail investment and better describe your product to the customer.

Often, "key" features (as revealed in buyers' and non-buyers' ratings of product features) are only mildly mentioned in the actual advertising package, whereas "soft" features are headlined. By using buyer/non-buyer surveys to realign your advertising, it can be strengthened along with the image and your overall sales.

I. Investment Analysis: Using the sales and revenue data and target groups from the Matchkey® analysis or other statistical test, profit and loss projections can be developed and decisions made accordingly.

Assuming the pilot test was conducted correctly (biases controlled, the lists mailed were sampled properly, and the sample sizes were correct), then the resulting test sales statistics should accurately predict a mass mailing's potential.

Mass Mailing: This is the stage where all guesswork is eliminated. You know your sales rates and projected total sales. The key functions here are the control and management of schedules and expenses to assure the most efficient and effective mass mailing. When compiling a programming request to select records for a mass mailing based upon your Matchkey® analysis, note the following points:

Compile a list of necessary merge/purges

Compile a list of the selects necessary in the order conducted in the analysis program

Computer fill values (if necessary)

Analysis file specifications (if necessary); specify the format

Codes (for test grid, if necessary)

Counts/reports needed

And there are other opportunities too. When you mass mail you might consider side pocket tests at the same time to determine:

If a slightly modified ad kit would outpull the mass mailed kit based on buyer/non-buyer surveys.

What the "fall off" factor is for re-mailing the kit a second time. Here you mail the "winning" kit's test cell names again to see how much the response rate drops or falls off. If it holds up, it might indicate that a second quick remailing of the mass mailed list would be profitable.

A new advertising kit, assuming you can develop one fast enough to mail it with the mass mailing. An argument can be made which states that once mailed, the best kit (your next test mailing's control kit) will always lose, since it's been mailed to your list once already during the mass mailing. Therefore, a new or modified best kit should be the control on your next test mailing.

The key aspect of success for the test-to-mass mailing is timing. The targets discovered in a test mailing will not hold up very long. A rule to follow is: pull the test list in month 1, test mail by month 3, analyze by month 5, pull the mass mailing list in month 5, and mass mail by month 7. Extending this model only causes the targeting segments to deteriorate and results in less accurate projected sales.

Special Considerations

1. Skills of a Direct Response Researcher

The researcher should:

- Be an observant and effective communicator
- Be knowledgeable of how a sale is made
- Have extensive product knowledge
- Be logical and plan the research with management
- Execute the sample selection
- possess knowledge of statistics
- Be knowledgeable of computer systems
- Have a fairly good understanding of computer programming and usage
- Be able to draft questionnaires, coordinate focus groups and develop the main analytical line for analysis.
- Be creative and go beyond the task outlined.
- Be outgoing, a team player and capable of taking responsibility for completing the job on time.

2. Access to Data Processing Facilities.

More and more, the 1980s will see direct marketers, computer programmers, and systems analysts become more interdependent.

Marketers will have to become very familiar with data processing, programming, and systems analysis as it works in direct marketing. Test mailing requires a thorough knowledge of data processing in order to assure that you obtain both maximum potential from the list (maximum number of names) as well as the necessary randomness (so that it will project out on a mass mailing).

To perform list processing and Matchkey® analysis, extensive access to a data processing facility is needed. Most companies who are entering the direct marketing field have D.P. facilities for accounting purposes. However, these same computers can be used for direct marketing purposes. There are no rules of thumb as to the cost and size needed for D.P. facilities.

If you don't have access to D.P. equipment, there are numerous service bureaus available. You can probably save money by using them as processing centers. Programming and analysis can be done with in-house staff or through special consulting groups or direct marketing vendors who specialize in such programming. In this way, your staff or vendors become more familiar with your needs and need less time for subsequent mailings—thus saving you money.

For survey analysis, access is needed for professional coding and keypunching of the returned questionnaires. Again, either in-house staff or research consultants can be employed to analyze them. Computer programs such as SPSS (Statistical Package for the Social Sciences) and Surveyor are needed to analyze these questionnaires.

What about personal computers? For many post mailing analyses, a P.C. can be an ideal machine to speed your analysis and provide you with a set of well documented charts of the test mailings' results. The spreadsheet programs are excellent for this, as you can program in financial breakeven equations. In addition, data base generators can be used to build files of buyers so that you can profile them. There are analysis programs available that can be used to perform survey tabulations and some Matchkey® list segmentation analyses for samples of 100 to 20,000. Also, for limited numbers of customers, mailing list, invoice and accounts receivable programs are available. And, within the next few years, many more of these functions, for much larger customer bases, will be provided on a very cost-effective basis. Programs can now reformat IBM disks to CP/M readable files, making the above analysis much more feasible.

3. Dealing with List Brokers

When dealing with outside list brokers, negotiating for reliable, accurate, and up-to-date data is necessary. As mentioned earlier, the data associated with a name is your key to success or failure. If the data is unreliable, inaccurate, or if the test list does not randomly represent the universe, then your segmentation analysis will be useless.

In addition, any ad copy relying on the list to complement the offer will have a disappointing result if the two don't match. An offer to young families, if the list is made up of grandparents and young families, will probably not be effective. To aid your list negotiations, tell your broker that you plan to do a buyer/non-buyer survey on his list (along with the test); this might insure his listing any problems before the mailout. Also, acquiring all the data available from the broker about a broker's name should lead to greater use of a list, not less. If the broker is reluctant to give this to you, explain that you are combining many data sources to develop one data base to test and, therefore, need all available data associated with a name. If the vendor still refuses to give you all available data, it is best to skip that source or just test a small cell since you can't use it for much targeting. Such a list would have to be entirely successful (every name test-mailed is profitable) for you to use it.

When using outside files as well as other in-house files with which you may not be familiar (from other departments, for example), it is *essential* that you get an *accurate record format* of the data *before ordering* the file. Very often, list companies will send unlabeled, poorly documented tapes with the accounting information *that was promised*, missing altogether. Again, a sequence number of Matchkey® code should accompany each outside record for later matching. (Note: you should get an idea, preferably in writing, from your list broker of the post office undeliverability rate, due to people having moved, of the list that you are intending to use. Very often, lists built from public records such as auto drivers' license lists have a high undeliverability rate (10% and above).

Checklist For Ordering Files

Selects necessary
Merge/purge necessary
Nth names (if test) necessary
Computer fill values (if necessary)
Analysis file (if necessary): Specify format for analysis file
Codes necessary: Test grid
Counts/reports needed
Specify or set Matchkey®: Account number, sequence number

– **Checklist for Using Files** The points listed below outline procedures that should be followed when receiving and processing tapes for a mailing:

Run a label print of the tape
Dump every Nth record *to the end of the file*: For every tape received; obtain total record count for control
Copy all tapes (if correct)
Check and verify format (variables and values)
If different than documentation, check with list broker, outside department, client, etc.
Check for value error—for example, new accounts expected, but receive random accounts with all dates open.

4. Research Service Bureaus

As an outgrowth of list processing, list segmentation and list enhancement are being offered by service bureaus. Larger list brokers (Polk, for example) have added analysis and data enhancement services to their list "sales" operations. "Census" data brokers (Claritas, for example) are making their "location" reporting systems available to direct marketers for list enhancement and segmentation.

And now, a new breed of service bureaus that offer list processing, "Census" data list enhancement and segmentation (but not list brokering) are emerging (DMCA Systems, Ltd. of Los Angeles, for example). These new groups, staffed with researchers and programmers, can bring list enhancement and segmentation results to direct marketers that, heretofore, were available only within large companies' research and processing departments. The list processing industry is about to undergo a change to reflect these scientific, proven research techniques in order to provide more profits to their customers.

– **Research Checklist** The following list of elements of a new product test should be carefully considered if they are changed from the original advertising package. This should be done to determine if the change will adversely affect your company and the new product's appeal and success. In addition, *these elements may help to identify why a previously researched product did not perform as projected.*

Why a Researched Product May Not Perform as Tested?

a. *Product Changes*
  Any price changes
  Design/packaging changes
  Changes in benefits/features of the product or service that satisfy the consumer's needs, i.e. the amount of insurance offered, the sizes and terms of loans offered, an assortment area of items offered in a catalog, material used in manufacturing, sizes and grades offered, taste, texture, colors, components, etc.
  Any instructions on use/assembly/application changes.
  Changes in compatibility with existing products/services
  Reduction of plans or versions offered
b. *Offer Changes*
  Terms of sale changes
  Application questions or information changes
  Warranty period and/or coverage areas
  Examination period; money back period
  Cancellation policy
  Respond-by-date changes
c. *Advertising Changes*
  Almost any copy changes, i.e. headlines, subheads, teaser copy, cover-letter, brochure, Q & A panels, testimonials, lift letter
  Enrollment, application order form changes
  New, additional legal disclaimers
  Graphic-logos, color, charts, pictures, signatures, type style, etc., changes
  Was there a change in carrier envelopes

d. *Lists/Markets Changes*

Change in what is promotable, criteria used in pulling a list.

New states, cities, regions

Timing of the offer—seasonality effects

Inability to eliminate duplicates, present customers, etc.

Elimination of a target marketing analysis

Errors in selection processing

Different magazines/time slots on TV

e. *Data Collection Changes*

Changes in the method that sales are reported

Abnormalities in rejection of orders

More damaged products reported

Changes from a daily to weekly or monthly sales report

Collection of sales figures from a new department

New computer programming to produce sales reports

Were all damaged/destroyed advertising offers (mailers, inserts) equally spread among all mailed groups or was one group more heavily damaged than others

Undeliverables higher than before

Are there copies of all ads as they are run

f. *Data Processing Changes*

New programs or programmers used to select names

Were all reports prepared of who was selected and mailed—are they correct

Are all computer tapes available and can they be re-run to be validated

Were unlabeled tapes used

Can programming flow charts be examined

g. *Investment Analysis Changes*

Were there changes in return on investment guidelines

Changes in costs of manufacturing, mailing, postage, etc.

h. *Environmental Changes*

A major political change

Changes in tax laws

Changes in federal regulations, guidelines

An announcement by a government branch affecting your product and market—FDA for the food industry

Change in a magazine's or TV program's content

Change in a co-op mailing or insert billing mix

Major weather storms

While this list is by no means comprehensive, it should point out major areas where a researched product can go astray—some by interference or uncontrolled events, others by changes made, (many times needlessly) as the product moves to the marketplace. A carefully researched product should tolerate very few changes or, since changes do happen, it should be the subject of a quick re-survey to assure that the changes are not going to affect the saleability of the product. Too many times, a researched product is changed just before mailing or advertising—only to become a disaster.

Research Control Forms. In order to manage the various research projects that are necessary, the following standard control forms can be utilized.

The times listed summarize many projects over a five year period. Of course, some projects will be completed sooner than those listed, and some will take much longer due to the idiosyncrasies of the project. But, on average, utilizing these schedules will allow all concerned parties enough time to adequately complete their activities.

This chapter is meant to give the direct marketer an outline or guide to follow in performing research and testing. There are many aspects of the mentioned research that are needed by the research person, staff or consultant employed. A first-time direct marketer would do well to secure the services of a direct response research house to start the ball rolling. Then, as time progresses, take on activities and expand and tailor them to the marketer's particular needs.

BUYER/NON-BUYER ACTIVITY

PROJECT NAME: ______________________________

	Project Activity	Average Days to Target Date	Expected Completion Date
1.	Establish Objectives — review prior research.	100 to 80	
2.	Establish Sample Selection Criteria.	90 to 75	
3.	Prepare Test Grid.	85 to 60	
4.	Project Proposal and Expense Estimate.	80 to 65	
5.	Issue Audit Request.	75 to 60	
6.	Notify Services of Drop Dates (for postage requisition).	70 to 60	
7.	Prepare Programming Requisition.	70 to 60	
8.	Obtain Mailing Tapes.	75 to 60	
9.	Provide Test File to D. P.	65 to 40	
10.	Prepare Tapes for "LIVE" Mailing and Labels for "SURVEY" thru D. P.	70 to 30	
11.	Procure Legally Approved Mailing Package Copy.	75 to 60	
12.	Print Mailing Package Components.	45 to 25	
13.	Printed Package to Mailing House.	25 to 20	
14.	Write Questionnaire.	60 to 45	
14a.	Approve Questionnaire.	45 to 40	
15.	Typeset Questionnaire.	40 to 30	
16.	Print Questionnaire.	30 to 10	
17.	Order Pens/BRE's/Outer Envelopes.	At 75	
18.	Delivery of Pens/BRE's/Outer Envelopes.	By 20	
19.	Ship Pens/BRE's/Outer Envelopes to Mailing House.	30 to 10	
20.	Provide Mailing House with Stuffing Instructions.	30 to 20	
21.	Have Mailing House Prepare Packages.	25 to 10	
22.	Drop "LIVE" OFFER-NONBUYER/BUYER.	10 to 0	
23.	Make 2 Copies of Each App for "MATCHKEY"®	+1 to +30	
24.	"SALT KITS" Received — Drop Survey.	+1 to +11	
25.	Coding Instructions.	+9 to +16	
26.	Coding and Keypunching Returns.	+12 to +50	
27.	Write Computer Analysis Programs.	+14 to +60	
28.	Computer Runs.	+45 to +65	
29.	Prepare Charts and/or Presentation Materials.	+50 to +70	
30.	Make Presentation (if necessary).	+65 to +75	
31.	Write Report.	+68 to +78	
32.	Type and Revise Report.	+70 to +85	
33.	Xerox and Compile Report; Write Cover Letter.	+83 to +90	

MATCHKEY® ANALYSIS ACTIVITY

PROJECT NAME: ______________________________

	Project Activity	Average Days to Target Date	Expected Completion Date
1.	Establish Objectives.	170 to 150	
2.	Project Proposal and Expense Estimate.	150 to 140	
3.	Set Up Test Grid.	140 to 130	
4.	Receipt of Tape Processing Instructions from H. O.	140 to 130	
5.	Communicate/Coordinate: Obtain Master Tape (issue audit request) or Set Up Test Groups.	140 to 95	
6.	Tape Processing Instructions to D. P.	135 to 130	
7.	Files or Instructions to Field: Produce Mailer and Analysis Files or Test Groups or Keypunch Instructions to Mailing House.	135 to 80	
8.	Prepare Test Packages at Mailing House.	130 to 70	
9.	Tapes Ready for Testing and Sorting.	80 to 70	
10.	Coding and Keypunching Instructions.	80 to 70	
11.	Mailing Date. (1)	75 to 65	
12.	Collect Response Data: Code and Keypunch.	75 to 30	
13.	Match thru D. P. or Outside Vendor.	40 to 20	
14.	Write Analysis Programs. (2)	25 to 15	
15.	Computer Runs Due.	20 to 10	
16.	Prepare Charts and/or Presentation Materials.	15 to 5	
17.	VISIT research to determine target groups.	5 to 0	
18.	Write Report.	0 to +15	
19.	Type Report and Revise.	+10 to +20	
20.	Xerox and Compile Report, Write Cover Letter.	+20 to +30	

(1) If MASS Mailing, add 10 days to TARGET DATE.

(2) Assumes prior program — if "brand new," add 20 days to TARGET DATE.

LIST PROCESSING ACTIVITY

PROJECT NAME: ______________________________

	Project Activity	Average Days to Target Date	Expected Completion Date
1.	Establish Objectives.	110 to 90	
2.	Project Proposal and Expense Estimate.	90 to 85	
3.	Order Tapes from D. P./Vendors/Brokers	90 to 50	
4.	Alert your Tape Library of Tapes to be Received.	90 to 75	
5.	Tapes Arrive — Logged in and Checked.	70 to 50	
6.	Correct Tapes Requested — if necessary.	70 to 50	
7.	Correct Set of Tapes or D. P. facility.	65 to 45	
8.	Programming Request Written.	60 to 45	
9.	Modify Test Design Based on Realities. (e.g., review prior test results, etc.)	55 to 40	
10.	Data Processing Programs Written.	50 to 30	
11.	Test the Programs.	35 to 25	
12.	Modify Program Based on Realities. (e.g., revise random selection, etc.)	30 to 15	
13.	Produce Mailing and/or Analysis Tapes.	20 to 5	
14.	SORT COPIES AND SHIP TAPES.	15 to 0	
15.	Copy analysis tapes for matchkey use.	+1 to +5	

(1) Timing is applicable to Mass Mailing. If New Cardholders, only 20 days required.

SIMULATOR ACTIVITY

PROJECT NAME: ______________________________

	Project Activity	Average Days to Target Date	Expected Completion Date
1.	Establish Objectives — review prior research.	90 to 70	________
2.	Establish Sample Selection Criteria.	80 to 60	________
3.	Prepare Test Grid.	75 to 60	________
4.	Project Proposal and Expense Estimate.	70 to 50	________
5.	Notify Services of Drop Dates (for postage requisition).	67 to 60	________
6.	Prepare Programming Requisition.	65 to 55	________
7.	Obtain In-house Tapes or Mailing Tapes.	65 to 45	________
8.	Provide Test File to D. P.	55 to 48	________
9.	Prepare Mailing Tapes or Survey Labels thru D. P.	45 to 10	________
10.	Procure Legally Approved Mailing Package Copy.	65 to 45	________
11.	Print Mailing Package Components.	35 to 15	________
12.	Printed Package to Research Mailer.	15 to 10	________
13.	Order Pens/BRE's/Outer Envelopes.	At 65	________
14.	Delivery of Pens/BRE's/Outer Envelopes.	By 15	________
15.	Ship Pens/BRE's/Outer Envelopes to Mailing House.	20 to 5	________
16.	Write Post Card and Questionnaire.	45 to 30	________
17.	Typeset Post Card and Questionnaire.	30 to 20	________
18.	Print Post Cards and Questionnaires.	20 to 5	________
19.	All Components to Mailing House with Stuffing Instructions.	15 to 5	________
20.	Drop Date for Post Card.	At 5	________
21.	DROP DATE FOR QUESTIONNAIRE.	On '0'	________
22.	Coding Instructions.	10 to +5	________
23.	Coding and Keypunching of Returns.	+8 to +30	________
24.	Write and Test Computer Analysis Programs.	+10 to +30	________
25.	Computer Runs.	+30 to +35	________
26.	Prepare Charts and/or Presentation Materials.	+30 to +45	________
27.	Make Presentation.	+45 to +55	________
28.	Write Report.	+50 to +65	________
29.	Type and Revise Report.	+55 to +70	________
30.	Xerox and Compile Report; Write Cover Letter.	+65 to +70	________

FOCUS GROUP ACTIVITY
(Workshops)

PROJECT NAME: ______________________________

	Project Activity	Average Days to Target Date	Expected Completion Date
1.	Establish Objectives.	40 to 35	
2.	Establish Sample Selection Criteria.	38 to 34	
3.	Select Moderator — discuss requirements.	35 to 32	
4.	Project Proposal and Expense Estimate.	33 to 31	
5.	Approve Moderator Chosen Facility.	32 to 29	
6.	Arrange for Session Nights.	30 to 28	
7.	Arrange Travel for Observers.	29 to 27	
8.	Obtain Tapes to Draw Sample.	35 to 30	
9.	Prepare Programming Requisition.	34 to 31	
10.	Provide Test File.	32 to 30	
11.	Programming to Select Names and Prepare Labels (Lists).	31 to 21	
12.	Recruitment Agency Fills Groups.	21 to 1	
13.	Insure Groups Are Filled.	3 to 1	
14.	Design Moderator Outline.	35 to 20	
15.	Collect Materials for Groups.	24 to 1	
16.	Discussion with Moderator re: Outline, Sequence of Visuals, etc.	15 to 5	
17.	Conduct Focus Groups.	+1 to +4	
18.	DAILY DE-BRIEFING WITH MODERATOR AND OBSERVERS.	+1 to +5	
19.	Immediate Post-Group Summary.	+1 to +6	
20.	Moderator Listens to Tapes.	+5 to +8	
21.	Write Report.	+7 to +10	
22.	Type Report.	+9 to +11	
23.	Revise Report — Prepare Summary.	+10 to +12	
24.	Xerox and Compile Report; Write Cover Letter.	+12 to +15	
25.	Prepare Presentation Materials and Make Presentation (if necessary).	+14 to +20	

6

Media

by Edward L. Nash
BBDO Direct
***Author:* Direct Marketing: Strategy/Planning/Execution**

Introduction

It is a direct marketing maxim that it is better to send a poorly done mailing to the right list than an excellent one to the wrong list. This maxim can be applied to all advertising media—not only direct mail but newspapers, magazines, broadcast, and specialty media as well.

In the early days of direct marketing, when "Copy was King," the media function sometimes consisted of answering the question "Where should we run the ad?" or "To what list shall we send this mailing package?" Today, media is not an afterthought but is a fundamental part of the basic strategic planning process. It is not a step that is performed before or after the "creative" process. It is part of the creative process.

1. Media as Markets (See Exhibits 6-1, 6-2 and 6-3.)

In direct marketing we do not use media to reach markets; the medium is the market. And there is no such thing as a bad market; there are just some that are more difficult to make work than others. Today's major direct marketers cannot afford to write off any medium.

General advertisers work out the best way to achieve "reach" and "penetration" of specified income and education groups. Direct marketers have historically concentrated on finding ways to make list categories, magazine groups, or broadcast profitable—regardless of which segment of those media categories are reached for the client's products.

In the pure marketing-driven business doctrine, the market is the objective, and products will be modified, or new products developed, to reach the needs of a target medium, just as new offers, copy appeals, and distribution strategies will be developed to sell a given product to a given medium.

More and more, the problem is not "which medium is best," but how can we make this medium work. The media director is an integral part of this problem-solving basis. Experience has shown that more than once, a publication which has been unsuccessful with, for example, a black and white page, will work very well with a "spectacular" unit like a bound-in color insert. Or, the reverse is also true—media such as the *Wall Street Journal*, which had been dismissed as unsuccessful, became a steady profit-producer due to a frequent schedule of smaller size inserts.

2. The "Universe" Concept

It has become customary to refer to "media universes." Since this term will be used, as well as the sub-category of constellations, this concept should be made clear.

> *A media universe is the total list of media opportunities that is considered feasible for a specific product or offer at a given time.*

"Core" lists and "core" magazines usually represent the smallest part of the total media universe. An advertiser might start with these core lists and other "sure thing" promotions, and then test the marginal aspects of the media universe. The testing might indicate that this is too broad or, just as possibly, too conservative. However, the premise of such a universe is a necessary first step in developing the media plan.

More general media categories, which are usually substantial, would merit testing at an early stage because of their enormous potential, while smaller groups can be deferred until the major groups have been tried.

The preparation of a media universe list is, properly, part of the basic strategic process and may entail market research, media research, and the examination of Simmons and proprietary audience data to assemble this list. (See Chapter 4 for Simmons data.)

3. Strategic Considerations

In the course of a chapter on media, there isn't enough space to cover the many strategic considerations detailed in books like Bob Stone's "*Successful Direct Marketing Methods*" (Crain) or this author's "*Direct Marketing: Strategy/Planning/Execution*" (McGraw-Hill).

However, the overall marketing strategy must be kept in mind when developing a media plan, and, conversely, media considerations must contribute to that strategy.

For instance, can the audience be "skimmed"—seeking easy orders from a waiting market segment? Or must it be explained and sold?

Is the advertiser known? Or, is there a credibility concern requiring the implied endorsement of quality publications and larger space units.?

Is it an easy order, which can be obtained with a phone call (making broadcast more feasible)? Or, is it a complicated one, requiring an application form or cash with order, for which direct mail might do better?

Does the product require visualization; must the reader see it? If so, telephone is out of the question and daily newspapers might not provide the graphic quality required.

Is the unit sale and the allowable margin a wide one, making otherwise marginal lists and publications feasible?

Or is it very tight, so only the safest, highest-affinity media are likely to work?

All these considerations, and more, must be taken into account when preparing a media plan.

4. The Core Market Illusion

It is surprising how many otherwise sophisticated organizations make the same basic mistake regarding the development of their media coverage.

Basically, they develop a mailing package or advertisement which does very well in selling to the knowledgeable, waiting market. A photography magazine offered to serious photographers is a typical example. One need only say that it exists, it's for sale, and there's a special introductory offer; the orders will come rolling in.

The problem develops when the same package is offered, in subsequent mailing seasons, to a wider variety of lists (or the same ad, in more general magazines). The effort is often unsuccessful and the result is reported, simply, as "The list (or publication) didn't work."

Sometimes the sales effort is curtailed, and a lower sales or circulation level is accepted. Sometimes fault must be found, and a change of ad managers or ad agencies takes place—but the real problem is strategic in nature.

Less knowledgeable audiences require more informative advertising messages. Special market segments often require specific appeals to their special interests. Changes in the age, or education level, or other media characteristics often demand a change in the basic advertising message.

These changes sometimes involve only the choice of copy platform—the selection of attributes and benefits to be emphasized and dramatized. More often, it may involve the basic product positioning, the choice of visual illustration with which the prospect is expected to identify, or the offer itself. Sometimes, the format has to be modified—to translate an inexpensive skimming format in core markets to a costly all-out one for situations where you must sell the category as well as the brand; or, on the other hand, translating a full-page ad in core magazines to a small-space skimming effort for more general media. Which strategy is right for a given product can be determined in advance, based on experience, research, or both.

5. Testing Theory

Often, with either established or new products, the media specialist is asked to recommend a "test" of one or more new media. To do so, a testing philosophy should be identified and enunciated for the client or product line.

The key element of every "test" is the following: *Minimize Downside Risk*. The first question to ask is "What if it doesn't work?" The test should be set up to put as little of the total advertising budget as possible "at risk."

If a new list or publication is a logical extension of previously proven media insertions, obviously greater risk can be taken. A standard insertion or a larger portion of the list can be used.

However, if you're breaking new ground, and entering into previously untested new lists or publications, you wouldn't want to commit so much. In that case, there are several ways of running partial insertions or using smaller than usual list buys to get valid results. These methods will be discussed under the media sections to follow.

Direct Mail

1. Size and Scope

The growth of direct mail as a medium continues to outpace virtually every other media. The only possible exception would be broadcast advertising, and that *not* because of the growth of broadcast (which, overall, is shrinking due to diversion of audiences to cable shows and generally unimaginative programming), but because of the direct-marketing field's growing use of the medium.

It is entirely possible that this growth rate will not only continue but accelerate for several reasons. These include the growing recognition of the importance of the direct-mail medium by general advertisers such as General Electric, Chrysler, Citicorp, and other major corporations. Another factor is the increasing sophistication of the list brokerage and computer processing industries. Mailings, that only a few years ago would have been unsuccessful, have now gone to extension and roll-out because of the development of selection, suppression, and segmentation techniques that dramatically increase results.

2. Segmentation Methods

In the United States there has been no scarcity of mailing lists. Unlike other countries, where the practice of renting and exchanging the names of active and former customers is not yet established, there is a plentiful supply of fresh, responsive names in virtually every category.

The problem continues to be that there are often too many names. Too many lists to choose from. Too large a quantity in a particular list to trust statistically valid test samples. Too much of a "waste factor" within a given list to make its use cost effective.

The need has been to increase profits by mailing to fewer, more selective names. The progress, then, has been in segmentation, and each year has seen enormous progress in refining the science and art of list buying into a tool that is as precise as it is powerful. Today, people buying lists can customize them into virtually any configuration to meet their own needs.

Geographic sorts now include the ability to specify ZIP codes or even carrier routes which offer previously identified characteristics of those geographic areas. These include average income, education, home ownership, or characteristics such as the age of children and recency of a major purchase such as a car or refrigerator. Several companies have used existing or new research to assign lifestyle characteristics to ZIP codes based on census data or on their own research.

Selection characteristics include Male/Female/Unknown; Active Customers; Repeat Customers; Recent Expires; Older Expires; Hotlines (recent new customers); and any geographic specification including state, city, and selected ZIP codes.

Probably the best use of such geographic sorts is to draw on a company's own experience—response rates, credit and collection data—indicating the potential profitability of various ZIP codes. It is then a simple matter to either select profitable areas or suppress unprofitable ones.

Overlays are the combination of two or more mailing lists with individual data (as opposed to geographic data dealing with averages) to refine a list.

For instance, you can take a customer's house list and match it with car ownership lists for a product that requires owning a car. Or, a list of mail-order buyers can be matched against a compiled list of homes with children to get mail-order buyers with children.

The restriction on such matching is purely financial, since it is sometimes more economical to tolerate a larger "waste factor" than go to the expense of a complex overlay match. Larger mailings will, of course, benefit to a greater extent than smaller ones—not just because of size but because of the likelihood of matching names as the list size increases.

3. The List Broker's Role

One significant evolution within the direct-mail business is the growing importance of the list broker as part of the planning and strategic process.

Thinking of list brokers as "suppliers" whose role is restricted to supplying lists selected by the advertiser is a waste of a valuable asset. Today's list brokers have evolved into important members of the planning team. Like advertising agencies, they have valuable proprietary data on what has and has not worked for others. While they cannot reveal their sources, their recommendations are based on a wealth of information.

Some list companies represent only one list, usually compiled, and are in the position of "selling" it—sometimes with printing and creative services thrown in to round out the package. Most brokers, though, are independent companies who may manage some lists, but who represent virtually every list, including those of the one-list compilation firms.

A good list broker will offer advice on selection characteristics within lists as well as all of the various segmentation methods. Most of them work with one or more of the computer firms who specialize in list processing and can help the novice advertiser through the entire process.

Today, a list broker should be considered as part of the planning team, either directly or through an advertising agency. They should be respected as professionals, not as sales people, who can make a big difference in making the list portion of your direct mail effective.

Another reason why list brokers are important, and why an advertiser should try not to by-pass their input by using reference books, is the growing number of mailing lists coming into the market each year. Almost every list recommendation includes some fresh, productive lists which list brokers know about but which have not yet been listed in current reference books.

4. Structuring a Test

When testing the direct mail media, the prime consideration is to minimize downside risk. If direct mail is being used for the first time, then the list selection should be designed to cover a cross-section of different types of lists.

Core lists, that is, those where the affinity is very clear and obvious, the unit sale is comparable, and the list quality (in terms of accuracy and recency) is unquestioned, should be tested on an individual basis. That is, each substantial list should be included with at least a minimum sample—enough to meet statistical validity objectives.

Expansion, or marginal affinity, lists should also be tested—sometimes with a different mailing package which is more informative, more educational, or which sells the generic product rather than the specific brand—depending on needs and objectives. The point is that low affinity lists often need more "sell" than lists of people already familiar with the category.

Since the number of potential expansion lists is greater than the core lists, it would be too costly to test every possible list. Therefore, the usual method is to group the expansion lists into categories which, by logic or experience, would tend to perform similarly.

If core lists are, for example, buyers of photographic products (for another photographic product), expansion categories might include photography magazine subscribers, photography school inquirers, and photography continuity book starters. While there may be several lists within each category, they should perform more similarly to each other than to the next category. Therefore, it is usually sufficient to test just one list in each of the expansion categories.

In a new product launch, the ratio of core lists to expansion lists might be about even. Once a product is proven, and the campaign is being extended or rolled out, the percentage of the mailing which is "at risk" should be restricted, and the bulk of the advertising investment put behind proven lists.

Publication Media

Newspaper and magazine advertising is harder to make work than direct mail—but the potential is much greater. Whereas direct mail is limited by the lists being created by other advertisers, publication advertising (sometimes called print advertising) is almost unlimited. It enables the advertiser to expose its product to the public at large and assemble its own list of prospects and customers—a list which often is not overexposed to similar direct mail offers; which is fresh; which is unique; and which can be rented to others for added income.

Many catalog firms, for example, get their easy results from sending their catalogs cold to lists of other companies' actives or expires. In the long run, however, their growth and the most profitable customers may come from customers whom they have attracted themselves in publication advertising—either by offering their catalog free or at a nominal cost or, more often, by selling some merchandise "off the page" in their advertising.

Print medium has an added effect, in that, unlike direct mail, the medium itself adds to (or in some cases detracts from) the message. An advertisement in a well-known national magazine is presumed by the consumer to have some sort of implicit endorsement from that publication.

To the extent that an advertiser has no prior reputation or relationship with a prospect, that of the magazine or newspaper may help provide some needed credibility.

However, to make publication advertising work, very different strategies must often be employed. It is not enough to simply translate a successful direct mail package to print. The product positioning, the offer, and the audience targeting method must all be thought through individually before planning newspaper and magazine advertising. The failure to do this is the greatest reason why so many advertisers, who rely on in-house or freelance creative sources, have been unable to make publication advertising work; it's a very different medium and requires a very different message.

1. Newspapers

There are 1,711 newspapers in the United States, with a combined circulation of 62.4 million on weekdays and 56.3 million for Sunday or weekend editions. By definition, newspapers provide good coverage of a geographic market area but usually provide little or no other selection characteristics.

Demographically, one can select by the entire market area or, in two-newspaper cities, between the varying readerships of the individual newspapers since their editorial policies may attract or repel different groups of readers.

Greater selectivity is available within the newspaper itself. A primitive sort of sex-select can be obtained by selecting sections of the paper. If one presumes that women do most of the shopping, they can be reached more effectively in shopping pages. If we presume that it is mostly men who are interested in the sports pages, then our ads in those pages reach a higher number of men.

Some special interest selections are available. A book on handicapping was successful only when run in the appropriate pages when the track was running in nearby cities. Financial products or services are more successful on financial pages. Yet, there are exceptions even to these rules.

Weekend editions, and Sunday supplements particularly, reach more of a family audience, while weekday papers seem to reach men and women commuting to work—at least as far as result figures indicate.

2. Magazines

SRDS lists 1,425 consumer magazines in the United States. The top 100 have a combined circulation of over 250 million. For the most part, magazine advertising lacks the specific market selectivity offered by newspapers—but makes up for it with a much higher degree of affinity selection.

There are ways of buying regional editions or even editions for specific cities, but these are generally at a premium which is sufficient to make this medium less desirable when geographic selection is the objective.

The categories of magazines cover the entire range of consumer interests and provide a logical opportunity for specialty products to offer their wares to audiences whose interests are identified. Hobby enthusiasts will buy the Peterson or Ziff-Davis publication that is relevant to their interest. People will reveal their intellectual, lifestyle or economic identities simply by the choice of the magazines they subscribe to and buy on newsstands. For that reason, magazines—to the extent that costs are realistic—offer the selectivity that is, usually, an essential ingredient for a successful direct marketing program.

As interests and lifestyles change, so do magazines—by the addition of new ones or by the growth of old ones. *Country Journal* reaches the active, affluent country family; *Essence* the upwardly mobile, educated black woman; *Popular Science* the relatively successful male who combines an interest in science with the will to apply it at home or the office.

Money reveals one kind of interest. *Popular Computing* another. And women can be reached in every kind of magazine from *Bon Appetit* and *Mademoiselle* through *Working Woman*. Each magazine offers its own unique audience, enabling us not just to select the right ones for relevance but also to target our messages to their interests and lifestyle.

As with mailing lists, the obvious "core" magazine is not the only place to look. Very often, affinities exist (identifiable before testing through modern analytical and audience research methods) which can make apparently unrelated magazines very successful for our propositions.

During 1983, there were many changes in the magazine world. As of this writing, magazines such as *Fortune* and *Signature* have joined the top 100, and others such as *Playboy* and the *National Enquirer* have dropped dramatically in circulation. These changes are important not only as media availabilities but as indicators of the changing lifestyle of the world we live in and the markets we sell to.

3. Business Publications

The business media is a world of its own. Because of rates, most of them are not cost effective for consumer propositions, but can be very appropriate for business lead-generation or the selling of financial services or personal products (insurance, for instance) to business executives.

The Wall Street Journal, for instance, is a whole media category in its own right, offering timeliness, flexibility, and a responsive audience for both business and financial products and services. As of mid-1983, its circulation exceeded 2.3 million and could be bought in four separate regional sections.

Other general business publications are *Business Week*, *Nation's Business*, and *Forbes*—each of them with their own identities and specific audience characteristics. Business executives can also be reached with special editions of national consumer magazines, such as *Time*'s "B" edition or *Newsweek*'s Executive edition.

Besides these general publications, there are two additional ways of looking at business magazines. There are vertical publications, such as *Ad Age* and *ABA Banking Journal* which reach all levels of management in a given industry. Horizontal publications reach a specific job function or management level running across all types of businesses. *Mechanical Engineering* or *Today's Office* are typical of horizontal magazines.

Buying magazine space involves more than just which magazine in which to advertise. There are several options within each decision. These include:

- **Season.** Which month is the best? Or, for a daily or weekly, are some days or weeks better-read than others?
- **Region.** If regional editions are available, are some better than others? For testing purposes, are they all consistent?
- **Size of unit.** Small space or large space? If small space, which shape? (Some magazines give better spots to a one-column than to a "square third" even though both cost the same.)
- **Color.** Black and white? Two color? Bleed?
- **Special devices.** Bound in reply card? Full-page inserts? Multi-page inserts?
- **Premium positions.** Should you pay for a "facing third cover" or other premium positions? If a back cover is available, is it worth the extra cost?

These are all questions that have to be considered when buying magazine space.

If you are using magazine space, you will often get calls from space representatives offering special editions, which are often put together expressly for the purpose of selling space to a specific category of advertisers. For instance, *Advertising Age* has a direct marketing supplement once a year, which usually features articles on the direct-marketing field surrounded by as many advertisements as they can sell. In general, such special editions do not produce as many inquiries for a given direct marketer as an advertisement which stands alone without as much competition in another edition. To reach direct marketers, publications such as *Direct Marketing*, *DM News*, and *Zip*, which service our field on a year-round basis, are a much better investment.

Another promotion is "Bingo cards"—inquiry cards offering free literature, sometimes included in magazines as an incentive to advertisers. The experience of many direct marketers has been that such cards produce very poor inquiries, and that good leads are thus thrown out with the bad ones. Where you have a choice, you are better off soliciting your inquiries with your own coupon or card.

4. The Agency's Role

Most print advertising is bought through advertising agencies which have their own media departments. While it is possible to save the commission by setting up "house agencies," the agency media-planning process generally adds more than 15 percent in added value, even without considering the creative and planning services offered by agencies.

A professional media director, like a professional list broker, has access to experience and results which can save an advertiser the expense of "reinventing the wheel." In addition, many testing opportunities and split or regional testing opportunities can often be negotiated by media directors because of their prior experience, personal media contacts, or massive buying power. This media background often can stretch budgets of as little as $100,000 to test a dozen media categories, size units, color vs. black and white, size of unit, and a wide variety of offer and product testing. To do this, many special "deals" have to be arranged which are not on the rate card.

Properly, an agency should not just "buy media" but should consider a media plan as part of an overall strategy which covers all the bases and minimizes downside risk.

5. Testing Methods

It is not a test to insert an advertisement in a dozen newspapers or in the full circulation of a half dozen magazines. You can call this an initial campaign—tested or untested—but the word "testing" implies some type of caution.

A single black and white advertisement run in the top ten consumer magazines would cost an advertiser $763,726, not counting production costs. The money at risk is substantial, and the object of testing is to find ways of minimizing risk.

As with direct mail, a different approach should be taken with obvious core magazines than with marginal, extension publications. The core magazines are those in which all tests of offers, creative approach, unit size, and format should be conducted, since the probability of success of the medium overall is very high.

Extension magazines should consume as little of the available budget as possible—but enough to "cover all the bases" and learn as much as possible about where future expansion can most profitably be undertaken.

The extension magazine should be grouped in categories, sometimes called "constellations." Within each group of publications, one magazine or newspaper should be selected which is not only typical of the category but which cooperates in terms of helping to minimize a test investment. This changes from year to year. In the past, *Time* was a leading test medium because of the ability to combine split runs with regional editions. In 1983, they discontinued this availability, and much testing is now done in *Newsweek* and other magazines instead.

The object is to locate splits or regional editions which give you as much information as possible about the magazine or category at the least possible price, to free up budget for proven magazines or additional tests. This cannot be done by looking through a directory, but requires on-going relationships and intensive negotiations with each publication that is considered.

Broadcast

Probably no single medium has caused as much excitement in 1983 and recent years as broadcast—radio and television advertising. This medium, which began as the exclusive preserve of sellers of hard-sell pots n' pans or record sets, has finally come into its own.

The early pioneers of direct response broadcast basically took long-copy ads and delivered them with stand-up announcers instead of with the printed word. Illustrations consisted of product shots or singers behind barrages of printed phrases, all liberally laced with exclamation points.

What creativity did exist was almost exclusively in the category of product dramatization—the knife that sliced bricks and tomatoes, the couple swooning over a golden oldie tune. The proponents of the old school propagated their maxims: Only :120s work. Only dull programming works. It had to be less interesting than the commercial.

Our industry, thus, dominated the insomniac hours of television watching and bought time wholesale on stations which lived off re-runs and old movies. This policy led to another maxim—television produces poor quality customers, and it only works with low-priced mass market merchandise.

The news is that, while these maxims apply to the old school, which still sells effectively for old-school products, it is not the only way, and, for many, it is not the best way.

1. Direct Response Advertising

For magazine subscription clients, direct-response advertising is bringing in subscribers at a net cost less than the mostly costly one-half or one-third of direct-mail costs. In other words, the "average" direct mail CPO is, often, the realized television CPO, enabling advertisers to replace less efficient direct mail with television. For some advertisers, such as those seeking inquiries for telecommunications products, it is sometimes the only effective mass medium.

Direct response commercials are now as likely to be 60 seconds in length as they are to be :120. Successful 60-second commercials require the direct-response creative team to talk to the audience on more than one level. Where an upscale audience is involved, it is sometimes the only effective way to deliver the message. The message controls the length, not a set of old-school media-buying rules.

- The last published direct-response broadcast figure was $295,000,000 in spot television in 1981—this represents about seven percent of total 1981 spot expenditures.

The proviso is that the spot, of any length, on better time periods—up against better programs and professional "big agency" commercials—still has to be "more interesting than the programming." That much of the old school maxim is right—except that the solution is not to seek out dull programming but to produce more interesting commercials.

To do this, many direct marketers are utilizing techniques that used to be the exclusive tool of general advertisers: musical themes, psychological imagery, emotional moments. Making :60s work may be a big breakthrough, but it demands a much higher standard of creativity and production values.

2. Support Advertising

Support advertising—commercials that ask the viewer to "look in your mailbox" or ". . . your Sunday paper" for a message—has not materially expanded in its use as a direct-marketing tool. The high cost of the media being supported—newspaper preprints, for instance,—has eliminated the need for the medium to support them. Large mailers, however,—most notably Publishers Clearing House, *Reader's Digest*, and American Family publications—continue to use commercials for support of major direct mailings. *Reader's Digest* appears to be somewhat less active with this tool, possibly because of the development of direct-mail support of direct mail—postcards giving advance notice of a forthcoming mailing.

3. Buying Methods

The development of the :60 format has now made it possible for direct response advertisers to be more selective as to which stations, day-parts, and agencies they buy. Some agency broadcast departments have developed sophisticated computer methods to compare audience data and response information so that they can predict exactly how much an advertiser can afford to pay for a spot, in a specific day-part or program on a specific station. The era of "haggling" is over. Direct-response broadcast buying is now a science.

The key is the discovery that, for most products, there is a given audience target which can be used as an index to the responsiveness of the time buy. Whether or not the data corresponds with established customer profiles, it is still a key to predict response rates and cost per order.

Today, direct-response broadcast accounts for a large percentage of total commercial air time. In 1981, it was estimated at $295 million. Some agencies have built their businesses with as much as one-third or even one-half of their column in direct-response television. Other agencies have specialized in radio and scored impressive results in that field. Broadcast is probably the fastest growing direct-marketing medium today.

The Whole Picture

While this chapter has looked at each media category separately, it is important to combine all of this information when preparing a media plan.

The developments in publication advertising and broadcast make it shortsighted to use only direct mail for a new product test. While direct mail is convenient for new product testing because of its low visibility and the ability to test offers with relative secrecy, it is not, in itself, an indicator of the viability of a product.

Organizations like Franklin Mint and the Columbia Record Club achieved their greatest growth through publication media. The recipe card producers found that direct mail and broadcast were the most successful. And many magazines and fund-raisers, whose inventory of successful mailing lists is shrinking, have found broadcast to be the big breakthrough opportunity.

Our industry can no longer consider direct mail as the automatic medium for every proposition. It will always be important, but, like direct marketing itself, it does not exist in a vacuum. The consumers we must influence are reached by all media, and we must choose and select the media group, and the individual media within each group, that is right for each advertiser.

Exhibit 6-1
ESTIMATED 1982-1983 AD VOLUME

	1982 ($ millions)	1983 ($ millions)	Percent Change
Newspapers (national adv.)	2,452	2,685	9.5
Magazines	3,710	4,210	13.5
Network TV	6,210	6,985	12.4
Spot TV	4,360	4,828	10.7
Direct Mail	10,319	11,765	14.0
Other National Media	10,734	11,762	20.0
Total Nat'l Adv.	37,785	42,235	11.8
Newspapers (local Adv.)	15,242	17,450	14.5
Local TV	3,759	4,285	14.0
Other Local Media	9,794	11,090	13.2
Total Local Advertising	28,795	32,825	13.9
Total All Advertising	66,580	75,060	12.7

Source: Robert J. Coen, McCann-Erickson, Inc., 1983

Exhibit 6-2
MEDIA UNIT COST TRENDS
(1967 = 100)*

	1980	1981	1982	1983	1984**
Newspapers	249	279	308	336	363
Magazines	183	201	219	237	253
Network TV	302	329	365	394	434
Spot TV	255	286	317	342	377
Network radio	214	244	268	300	327
Spot Radio	192	215	232	248	268
Outdoor	275	303	330	363	396
Direct mail	235	234	275	265	264
Composite	242	264	295	313	336

*1967 used as base year (100) for measuring all media

**Estimated

Source: McCann Erickson

Exhibit 6-3

ESTIMATED ANNUAL U.S. ADVERTISING EXPENDITURES 1977-1982

(in millions of dollars)

	1977	1978	1979	1980	1981	1982	1983
Newspapers							
Total	10,751	12,214	13,863	14,794	16,528	17,694	20,135
National	1,472	1,541	1,770	1,963	2,259	2,452	2,685
Local	9,279	10,673	12,093	12,831	14,269	15,242	17,450
Magazines							
Total	2,162	2,597	2,932	3,149	3,533	3,710	4,210
Weeklies	903	1,158	1,327	1,418	1,598	1,659	1,900
Women's	565	672	730	782	853	904	1,040
Monthlies	694	767	875	949	1,082	1,147	1,270
Farm Publications	90	104	120	130	146	148	155
Television							
Total	7,612	8,955	10,154	11,366	12,650	14,329	16,090
Network	3,460	3,975	4,599	5,130	5,575	6,210	6,985
Spot	2 204	2,607	2,873	3,269	3,730	4,360	4,820
Local	1,948	2,373	2,682	2,967	3,345	3,759	4,285
Radio							
Total	2,634	3,052	3,310	3,702	4,230	4,670	5,230
Network	137	147	161	183	230	255	305
Spot	546	620	665	779	879	923	1,015
Local	1,951	2,285	2,484	2,740	3,121	3,492	3,910
Direct Mail	5,164	5,987	6,653	7,596	8,944	10,319	11,765
Business Publications	1,221	1,400	1,575	1,674	1,841	1,876	1,876
Outdoor							
Total	418	466	540	578	650	721	805
National	290	307	355	364	419	465	520
Local	128	159	185	214	231	256	285
Miscellaneous							
Total	7,388	8,555	9,633	10,561	11,908	13,113	14,794
National	3,849	4,435	4,992	5,578	6,334	7,067	7,899
Local	3,539	4,120	4,641	4,983	5,574	6,046	6,895
Total							
National	20,595	23,720	26,695	29,815	33,890	37,785	42,235
Local	16,845	19,610	22,085	23,735	26,540	28,795	32,825
GRAND TOTAL	37,440	43,330	48,780	53,550	60,430	66,580	75,060

Source: Prepared for Advertising Age by Robert J. Coen, McCann-Erickson, Inc., 1983.

Exhibit 6-4
VOLUME OF THIRD CLASS MAIL
(Postal Fiscal Year: Oct. 1-Sept. 30)

Mail Classification	1982 # Pieces	1981-1982 % Change	1983 # Pieces	1982-1983 % Change
Single Piece	203,350,000	−39.3	167,990,000	−17.4
Nonprofit	9,063,627,000	+ 5.8	9,381,067,000	+ 3.5
Regular Bulk	27,452,346,000	+11.1	31,185,653,000	+13.6
Total	36,719,323,000	+ 9.3%	40,734,710,000	+10.9%

Source: Direct Marketing Association, "USPS Revenue and Cost Analysis Report", 1983.

Exhibit 6-5
1983 DIRECT MAIL EXPENDITURES
(Calendar Year)

Class	# of Pieces[1] (000)	DM[2] %	D.M. Volume Pieces (000)	Av. Postal Rate[1]	Paper Production & Printing[2]	Total Cost	D.M. Volume in Dollars (000)
First Class	68,556,799	7.5	5,141,759	22.21¢	17.42¢	39.63¢	$ 2,037,679
3rd Class Mail							
Single	169,810	95	161,319	94.36¢	19.12¢	113.48¢	183,065
Bulk-Regular	8,729,141	95	8,292,683	11.99¢	19.12¢	31.11¢	2,579,853
Bulk-Carrier Presort	17,226,211	95	16,364,900	08.44¢	19.12¢	27.56¢	4,510,166
Bulk-Five Digit Presort	5,877,820	95	5,583,929	10.05¢	19.12¢	29.17¢	1,628,832
Non-Profit							
Regular	5,876,115	95	5,582,309	05.28¢	14.31¢	19.59¢	1,093,574
Carrier Presort	1,371,254	95	1,302,691	03.34¢	14.31¢	17.65¢	229,925
5-Digit Presort	2,358,980	95	2,241,031	04.34¢	14.31¢	18.65¢	417,952
International							
Regular	242,991	2	4,560	34.31¢	19.12¢	53.43¢	2,436
Airmail	487,988	2	9,759	70.63¢	19.12¢	89.75¢	8,758
Total	110,897,109		44,684,940				$12,692,240
			10.74% growth in DM Volume Pieces 1982-1983				11.80% growth in DM Dollar Volume 1982-1983

1. Source: USPS, 1983 (4th quarter calendar year USPS estimates)
2. Source: Direct Marketing Association, Inc., 1983

Exhibit 6-6
NUMBER OF PIECES OF MAIL ATTRIBUTED TO DIRECT MAIL
1977-1983 (Postal Fiscal Year)
Based on DMA's Postal Volume Formula and U.S. Postal Service Revenue and Cost Analysis Reports
(in thousands)

	First Class D.Mail=20%	Priority Mail D.Mail=5%	Mailgrams D.Mail=15%	Third Class Single D.Mail=95%	Third Class Bulk D.Mail=95%	Third Class Nonprofit D.Mail=95%	Catalog D.Mail=100%	Int'l Mail D.Mail=5%	Total # Pieces	Total # D.Mail Volume Pieces
1977	53,827,034	199,487	28,562	612,518	17,138,794	6,825,799	84,998	684,899	79,402,091	34,247,163
	10,765,407	9,974	4,284	581,892	16,281,854	6,484,509	84,998	34,245		

	First Class D.Mail=10%	Priority Mail D.Mail=5%	Mailgrams D.Mail=95%	Third Class Single D.Mail=95%	Third Class Bulk D.Mail=95%	Third Class Nonprofit D.Mail=95%	Catalog D.Mail=100%	Int'l Mail D.Mail=5%	Total # Pieces	Total # D.Mail Volume Pieces
1978	54,557,218	213,329	32,504	539,724	18,684,430	7,020,146	85,431	718,935	81,851,717	30,524,728
	5,455,722	10,666	4,876	512,738	17,750,209	6,669,139	85,431	35,947		

	First Class D.Mail=10%	Priority Mail D.Mail=5%	Mailgrams D.Mail=15%	Third Class Single D.Mail=95%	Third Class Bulk-Regular D.Mail=95%	Third Class Bulk-Carrier Presort D.Mail=95%	Third Class Nonprofit D.Mail=95%	Catalog* D.Mail=100%	Int'l Mail D.Mail=5%	Total # Pieces	Total # D.Mail Volume Pieces
1979	58,215,317	231,835	37,989	444,871	15,509,303	4,492,980	7,552,602	104,087	755,674	87,344,658	32,580,461
	5,831,532	11,592	5,698	422,627	14,733,838	4,268,331	7,174,972	104,087	37,784		
1980	58,993,087	252,864	39,452	410,959	14,583,864	6,999,788	8,068,948	116,434	733,832	90,199,228	34,514,743
	5,899,309	12,643	5,918	390,411	13,854,671	6,649,799	7,665,500		36,692		

	First Class D.Mail=10%	Third Class Single D.Mail=95%	Third Class Bulk-Regular D.Mail=95%	Third Class Bulk-Carrier Presort D.Mail=95%	Third Class 5-Digit Presort D.Mail=95%	Third Class Non-Profit D.Mail=95%	Fourth Class Bound Printed Matter D.Mail=85%	Int'l Mail D.Mail=5%	Total # Pieces	Total # D.Mail Volume Pieces
1981	61,410,172	335,168	11,636,430	10,541,579	2,527,621	8,566,607	118,675	885,509	96,021,761	38,207,266
	6,141,017	318,410	11,054,608	10,014,500	2,401,239	8,138,277	94,940	44,275		

	First Class D.Mail=7.5%	Third Class Single D.Mail=00%	Third Class Bulk-Regular D.Mail=95%	Third Class Bulk-Carrier Presort D.Mail=95%	Third Class 5-Digit Presort D.Mail=95%	Third Class Non-Profit D.Mail=95%	Fourth Class Bound Printed Matter D.Mail=85%	Int'l Mail D.Mail=5%	Total # Pieces	Total # D.Mail Volume Pieces
1982	62,200,212	203,350	8,791,167	13,742,551	4,918,628	9,063,627	156,154	927,541	100,003,230	39,691,848
	4,665,016	198,183	8,351,609	13,055,423	4,672,697	8,610,446	124,923	18,551		
1983	66,246,880	167,990	8,812,930	16,698,070	5,674,653	9,381,076	169,540	904,821	106,055,960	43,78,705
	4,818,516	159,591	8,372,284	15,863,167	5,390,920	8,912,022	144,109	18,096		

Note: Priority Mail and Mailgram figures are not reported in the most current years because the volume of dm pieces is not a substantial portion.

*In 1981 the USPS discontinued reporting the catalog figure as a separate category. Since then this figure has been included in the third class mail figures.

Exhibit 6-7

DIRECT MAIL ADVERTISING EXPENDITURES

These figures include only postage and production cost estimates. They do *not* cover estimated costs of direct mail creative services.

1936	$ 266,010,365	1952	$1,171,088,984	1968	$ 2,796,013,000
1937	$ 277,851,087	1953	$1,256,393,834	1969	$ 2,725,618,000
1938	$ 269,869,569	1954	$1,374,882,915	1970	$ 2,827,026,000
1939	$ 277,292,494	1955	$1,485,261,000	1971	$ 3,432,191,000
1940	$ 278,221,589	1956	$1,554,068,971	1972	$ 3,406,483,000
1941	$ 293,981,595	1957	$1,615,826,302	1973	$ 3,990,063,000
1942	$ 274,369,636	1958	$1,777,039,094	1974	$ 4,749,689,000
1943	$ 268,036,086	1959	$1,930,588,964	1975	$ 5,063,525,000
1944	$ 271,991,230	1960	$2,027,016,075	1976	$ 6,025,639,000
1945	$ 241,960,283	1961	$2,111,523,778	1977	$ 6,966,680,000
1946	$ 278,797,152	1962	$2,029,308,000	1978	$ 7,298,184,000
1947	$ 482,737,477	1963	$2,215,172,000	1979	$ 8,876,683,000
1948	$ 574,527,477	1964	$2,354,015,000	1980	$ 9,998,706,000
1949	$ 863,989,380	1965	$2,408,275,000	1981	$10,566,746,000
1950	$ 918,660,480	1966	$2,551,148,000	1982	$11,359,494,000
1951	$1,056,296,826	1967	$2,581,634,000	1983	$12,692,240,000

Source: Direct Marketing Association, Inc.

7

Telephone: The Growing Medium

by Murray Roman
Campaign Communications Institute

Introduction

Telemarketing is big business. Just five years ago, there wasn't any recognizable telemarketing industry. Today, there are more than 350 competing telemarketing agencies. According to figures from DMA and AT&T, almost $13 billion was spent for telemarketing in 1982—in contrast to the $12.5 billion figure for direct mail.

The following statistics were compiled by Michael J. Sheehan, Telepromotion Sales Manager, AT&T Communications, for the Telephone Marketing Council of DMA to be used in the 1984 edition of the FACT BOOK. These statistics will lay good groundwork for the discussion to follow. Certain of the statistics will no longer be available due to the post-divestiture environment. These particular figures are annotated. Also included is AT&T's statement on "Call Quality Observation."

"Call Quality Observation"

"Call Quality Observation" consists of both manual and electronic viewing of and/or listening to transactions between Telemarketing Specialists and customers.

Implementation of Call Quality Observation should be done in accordance with all local, state and federal regulations or policies concerning privacy. Where no regulations or policies rule otherwise, Call Quality Observation can be utilized to support Telemarketing Specialist training and development, conduct market research and enhance supervisory control by ensuring that all customer concerns are responded to in a professional manner.

Source: AT&T, 1983

Exhibit 7-1
MISCELLANEOUS TELEPHONE FIGURES—CONSUMER
as of Year-End 1982

Total U.S. Households	84,039,000
Total Main Phone Numbers[1]	79,153,760
Estimated Phone-Reachable Persons at a Given Time (Assumes 13.9% of main phone numbers are not listed. Same as 1981. Updated figures are not available.)[1]	68,151,387
Total Phones (including extensions)[1]	133,580,000
Estimated Total Annual Calls Made [1,2]	142,481,820,000
Average Number of Annual Calls Made per Main Phone	1,800
Average Number of Daily Calls Made per Main Phone	4.93

[1] This information will no longer be available in the post-divestiture environment.

[2] Assumes of the total messages (completed calls), 52.45% were residential-originated, and 47.55% were business-originated. This figure is less than the 1980-1981 statistics because only completed calls are considered.

Source: AT&T, 1983

Exhibit 7-2
MISCELLANEOUS TELEPHONE FIGURES—BUSINESS
as of Year-End 1982

Total Main Phone Numbers[1]	15,304,615
Total Phones[1]	48,313,000
Estimated Total Annual Calls,[1,2]	129,170,840,000
Average Number of Annual Calls Made per Main Phone	8,440
Average Number of Annual Calls Made per Phone	2,674
Average Number of Business-Day Calls Made per Main Phone (based on 260 Business Days per Year)	10.28

[1] This information will no longer be available in the post-divestiture environment.

[2] Assumes of the total messages (completed calls), 52.45% were residential-originated, and 47.55% were business originated. This figure is less than the 1980-1981 statistics because only completed calls are considered.

Source: AT&T, 1982

Exhibit 7-3
ESTIMATED TELEPHONE EXPENDITURES FOR TELEMARKETING APPLICATIONS[1]
as of Year-End 1982 (Dollars in Millions)

		Percent Increases Over 1981
Residential-Originated Local Calls	$ 656.4	2.1
Residential-Originated Toll Calls	821.3	6.0
Business Originated Local Calls	5,546.8	16.6
Business-Originated Toll, WATS, 800* Calls	5,911.1	11.7
Total	$12,935.6	12.8

*800 service is a toll-free service paid by business. Therefore, residential (consumer) placed 800 calls are included in this value.

[1] The research documents used to determine these figures are no longer available. The statistics represented are compiled based on the relationship between the reported 1980-1981 Telemarketing Expenditures and various revenue figures, then factored to represent 1982 Telemarketing Expenditures. The revenue figures used consisted of the following:

Local Message Charges—Business
Local Message Charges—Residence
Interstate Toll Charges —Business
Interstate Toll Charges —Residence
Interstate WATS and 800 charges
Intrastate WATS and 800 charges

Source: AT&T, 1983

Exhibit 7-4
ADDITIONAL TELEPHONE STATISTICS

	1982
Total Main Telephones	94,458,375
Percent Business	16.2
Percent Residence	83.8
Total Telephones	181,893,000
Percent Business	26.6
Percent Residence	73.4
Percent Main	51.9
Percent Extension	48.1
Total Messages (local, intrastate + interstate)[1]	271,652,668,000
Business Originated Interstate Messages Only	42.97%
Residence Originated Interstate Messages Only	57.03%
Average Daily Call Rate Per Telephone	
Overall	6.61
Excluding Residence Extensions	9.48

Monthly Percent Distribution of Attempted Calls—1982

	Total	Interstate	Intrastate	Continental U.S.
JAN	8.3	8.3	8.2	8.3
FEB	8.4	8.3	8.5	8.3
MAR	8.2	8.2	8.2	8.3
APR	8.7	8.5	9.0	8.6
MAY	8.3	8.2	8.4	8.3
JUN	8.7	8.7	8.7	8.6
JUL	8.2	8.3	8.2	8.3
AUG	8.2	8.2	8.2	8.2
SEP	8.3	8.2	8.3	8.3
OCT	8.1	8.2	8.1	8.2
NOV	8.3	8.4	8.2	8.4
DEC	8.3	8.5	8.0	8.2

Of the total interstate calls—78.3% were within the Continental U.S.

[1] Assumes a 3.6% increase over the 1981 completed call data. The number of call attempts reported in the 1980-1981 FACT BOOK are no longer available.

Source: AT&T, 1983

Telemarketing

Telemarketers have learned to respect and value the "open phone" relationship with the consumer. Their right to privacy is of grave concern and deserves protection. Today's industry has come a long way from the high-pressure tactics of the past. A strict code of ethics, tested standards of performance that are measurable and projectable, and creativity and accountability are the keys to successful telemarketing.

For the business-to-business marketer, the telephone opens up new channels of sales and distribution—quickly, economically, with total accountability. For the salesman, the telephone is a powerful tool for "softening up" new leads—resulting in a much more efficient sale's call than one made "cold."

In the consumer marketplace, the buyer either dials an 800 number on his/her own initiative or answers a ringing phone (when a telephone rings, you answer it!)—enabling the buyer to purchase a myriad of merchandise or services. Telephone shopping can save time and money. It is easy and it is convenient.

The Marketing Plan

Whether a consumer or a business-to-business program, the program starts with a marketing plan from which every aspect of the total operation, subsequently, takes its lead. As with any marketing plan, it defines the purpose and goals of the telephone program and includes:

- Sales Objectives
- Cost/profit projections
- Target Audience Data (List Selection)
- Creative Efforts
- Preparation of controls
- Records and Fulfillment Systems
- Selection and Training of Personnel
- Ongoing Test Modifications
- Final Evaluation of Results

First to be considered are engineering and logistics—market strategies.

For example: What are the "demographics" of the market—who are the "decision-makers" for your offer? Is it more effective to utilize "outgoing" prospecting calls, or should incoming calls be promoted through advertising in other media? Or, should a combination of both be used?

The lists have to be selected—testing the best lists first, because if it doesn't work with the best, it won't work! Here, the telephone is unique in its ability to obtain rapid, accurate, and low-cost testing results—200 calls to a business audience, or 500 calls to consumers, will usually provide a sound basis for evaluating the reaction and viability of the program.

What is the creative copy platform? Which name for a tape message will have the most impact or leverage with the target audience, i.e. the best name for the best list. Consider the offer. Can the cost be better amortized by offering more than one product—a "piggyback" offer?

What is the "close"? Is it a charge card sale? Does a bill follow in 24 hours? What is the break-even that the test must achieve? Then, what is the percentage of response planned for?

The controls, verification, monitors, and call-per-hour standards must all be structured in advance. It is then that the training and the pre-testing begins.

Twenty-five to thirty telephone numbers are dialed per hour. Seventeen are contacted. Ten decision makers are actually talked to per hour during the evening. During the daytime, five calls per hour to decision makers have been completed. Of the completed calls, how many say "yes"? Of those, how many actually convert and follow-through with dollars, sales appointments, memberships, subscriptions or orders? How long do they "stick" in continuity book programs?

Which list pulled best? How well do they pay? What is the total number of orders? Of conversions? How good was the lead, the appointment? How many sales from the phone leads were completed as compared to other media inquiries?

Which is the most cost-efficient phone system? Direct dialing after 6:00 p.m.? Is it long distance calling or a local workshop, or does the program call for using home-workers?

It is all programmed. The introduction, the message, the "close" are all geared to our production-line concept of reaching the decision maker quickly—screening interest, offering a benefit, responding to need, taking the order, saying "Thank you" to everyone, as effectively, as efficiently, and as economically as possible. Yes, it is all programmed, and, for this marketing plan to work, it needs to be followed, watched and changed according to needs of the campaign.

The European Market

Up till now, we've been talking about and demonstrating the art of telephone marketing as it exists today in the United States. However, what about its applications to the much broader world market—specifically, to the European marketplace?

For example, let us examine one very specific and exciting development. Traditionally, the proportion of household telephones to total population in the United States has always been greater than the related ratio in European nations. While detailed demographic data about the incomes and interests of European telephone subscribers is difficult to obtain, it seems a reasonably sound assumption that this means the household telephone subscriber in the European nation is likely to reflect a subscriber with a higher per capita income level—within his own economy, of course—than is true of the typical American subscriber.

However, this proportion has been growing larger year by year. Now, for the first time, in a number of European nations, the total number of residential telephone subscribers is greater than the total number of business telephone users. This means that the European potential consumer market is growing and widening, to the point where direct marketers today have, within reach of their own telephone, a greater number, and a wider variety, of prospects than ever before to approach with an offer and a message.

What is the extent of some of these markets? Even before this recent growth—that is, as of the beginning of 1973—almost ten million people in the United Kingdom had telephones in their homes. In Italy, the number was seven million. Switzerland had close to two million subscribers. The total number of telephones in France, both business and residential, doubled in the ten-year period, 1963-1973—as they did in both Belgium and Germany.

So, with the technology already at hand, and future developments offering an excitingly broad scope of possibilities, the potential for the European marketer is certainly no less rosy than it has already proven to be for his American counterpart.

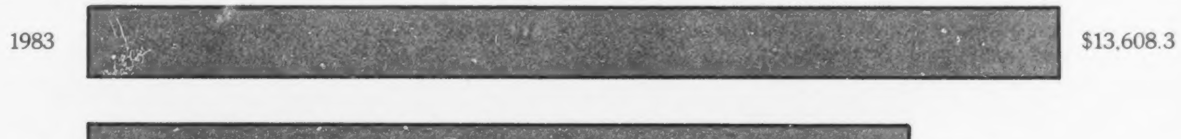
Conclusion

The total picture of a successful telephone-marketing program is that of a highly-organized production-line operation, in which the person-to-person intimate nature of the electronic phone communication dictates that the medium itself is indeed the message. The telephone is one of the foremost media of the future. Fundamental to assuring a place of prominence for the telephone are two major factors:

- The increasing cost of personal sales visits, which is causing marketers to search for marketing alternatives. Telephone is fast, flexible, responsive, accountable, and cost-effective.
- The increasing cost and current unstable delivery of Third Class mail—plus the two and one-half to five times return from the use of the telephone, as compared to a direct mail effort, from the same list.

Telephones have begun to perform any number of new services, based on satellites, facsimile transmitters, and picture phones. The phone will become the means by which homes and small offices will have access to computers. Shopping by home and computer is already a reality. The telephone, now entering its second century of existence, has already proven itself one of the great marketing tools of its age.

Exhibit 7-5
GROWTH OF TELEPHONE MARKETING*
in $ Millions**



Source: DMA Industry Update 1983, based in part on information from AT&T.
**Figures include toll & equipment costs but *do not* include labor costs
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8

New Electronic Media

by William E. Waites
Ogilvy & Mather Advertising

Direct-response media have undergone significant change in recent years.

Yes, mail continues to dominate. No better medium has been developed for reaching prospects in the kind of individualized way that is key to direct response. Mail provides the prospect with all the elements necessary and helpful to complete a sale. Mail provides bull's-eye targeting of message. It allows detailed explanation of all the reasons for purchasing a product (or asking for a sales call). It gives the prospect alternative ways to respond: a BRC or BRE, a toll-free telephone number, directions to a nearby dealer, etc. Of key importance, it does all this at the convenience and pace of the respondent. While it employs the immediacy and focus of a "personal" message, it does so without imposing on the prospect's privacy and individual priorities.

It can be argued that telephone as a medium gives the same benefits, with some advantages as well. Its dramatic growth to one of the two top positions in dollar volume among all direct-response media is clear testimony to its benefits.

Outbound telemarketing provides the opportunity for sales calls, prospecting or speeding up cash flow through accounts receivable collections—and for many other business-to-business applications. It is also used successfully in the consumer environment—if the campaign effort is given the proper attention. The call should be carefully scripted; it should be targeted to the proper lists; and the offer should be presented to its best advantage.

Inbound telemarketing is a different matter. The call is initiated by the customer. Triggered by some other stimulus, often mail, he or she comes to the transaction with a desire to know more and, often, even a predisposition to buy. This is an attitude that equals, and often surpasses, the customer's conscious decision to consider a direct mail offer. As we look to the new electronic media for direct-response opportunities we face some similar differences.

The New Electronic Media: Some Definitions

Precisely what are the new electronic media? First, there are the ***one-way*** media. These include broadcast television, radio, and conventional cable systems. Soon to be added is a medium called *teletext.*

Second are ***two-way*** media. Videotex (or, as it is called in Europe, Viewdata) is the primary occupant of this category. Videotex can and will use different carriers. Telephone lines appear to be the first and are apt to be the most pervasive. In fact, the most developed videotex services today deliver their service via telephone lines to personal computers. Two-way cable is another potential carrier. If, and as, cable is used to carry videotex operations, it will offer distinct advantages in terms of the speed and quality of transmission.

Third are ***stand-alone*** media. This category includes videodiscs, videocassettes and self-contained personal computer software.

It's important to point out that these divisions and categories exist today. The not very distant future will see the evolution of hybrids which will combine one-way and stand-alone media in ways that serve the customer better than any pure system can on its own.

Electronic media are, obviously, important tools for the direct marketer—they will become even more so in the years to come. How are they going to impact the direct-response advertiser?

Broadcast Television: Is It Passing Its Prime?

Notwithstanding that direct marketers have used broadcast television to sell their wares for decades, television is an excellent place to start any discussion of the new electronic media. For many direct-response advertisers, television is a very new medium. Tests of direct-response offerings conducted on television indicate that new products which can be demonstrated seem to do particularly well—for the same reason products in general distribution also do well on TV. With its sound and motion, TV is at its best as a demonstration medium.

Of course, while 30 seconds is adequate in general marketing to demonstrate a product and generate enough interest and curiosity to move the prospect closer to the point of purchase, direct-response requires a medium of 90 seconds and, more often, 120 seconds to get across a message of sufficient dimension to effect a direct sale. Al Eicoff, one of the pre-eminent practitioners of direct-response TV, feels if you cannot justify the longer time length in your cost-per-order equation, you're better off in most cases leaving TV to others—although a relatively inexpensive test can confirm whether or not TV is a cost-efficient medium for you.

In recent times, many direct-response television advertisers have found that even the longer length messages are losing their sock. No one has been able to fix the cause for this. There is much speculation. One point of view has it that the generally unhappy economy has been to blame. Undoubtedly, this has had an influence. Consider the high level of jobless workers who may be encouraged to order items for payment on delivery that they cannot afford to purchase at retail. With no change in their status and no cash to pay when the item(s) are delivered, result is a dramatic escalation of costly C.O.D. returns.

There also is evidence that cable penetration has cut into broadcast television audiences. Research has indicated that cable households watch significantly more TV than non-cable households. Viewers who used to sit in front of reruns on the independent stations, long known to be the prime prospects for direct-response television appeals, are now watching movies on cable.

With the direct-response efficiencies of broadcast television coming under considerable suspicion in recent months, many direct marketers have been driven back to more traditional direct-response media. The more visionary among them now look forward eagerly to what the new electronic media will bring. Their interest is not misplaced. Even in the hands of experienced time buyers, broadcast TV by nature is not very selective. The emerging new electronic media are extremely selective in audience composition.

Cable TV: The Electronic List

The make-up of the subscriber audience is no mystery to cable operators. They send each subscriber a bill in the mail every month—and, if the subscribers are on one of the pay tiers, the operator even knows the channels/shows watched during the billing period. The cable operator has ample opportunity to learn the preferences of his audience.

The direct marketer has ample opportunity to translate those preferences into target markets and use cable to serve those target markets. By most recent count, (November 1983), cable penetration has surpassed 40 percent of the American TV viewing population. Homes passed but not subscribing account for 62.7 percent. Cable systems have plenty of room to enlarge their audiences without laying expensive new cable.

Cable subscribers have discrete characteristics. They tend to have higher incomes and more education than the average TV viewer. They also are younger and more involved with electronic technology. As mentioned earlier, they watch more television. Of particular appeal to direct marketers are indications that cable subscribers tend to have mail-order and telephone-order habits that are above average.

Because cable markets still are small compared to the broadcast world at large, the cost of using cable is significantly less than is the cost of conventional broadcast TV. Small cable systems can be singled out for testing on a scale that almost any direct marketer can afford.

This does not take into consideration the cost of producing video material for cable. If broadcast standards were applied—with 30 second commercials averaging $75,000 each and occasionally costing as much as one-half million dollars—any kind of television presence would be prohibitive for most direct marketers.

But the onset of cable TV has led to the development of a different kind of television spot. In many ways it is akin to the traditional direct-response commercial. It is longer, filled with information, and presented in a no-frills fashion. These commercials (sometimes called *infomercials*) seem to work because the viewer comes to them *seeking* the information they have to offer. He or she is not dragged by the lapels into a commercial encounter that is not wanted and not welcome.

Fortunately, the most modest production values required for these spots have brought them back down into a cost range of $15,000 or less. Given the attention with which they are consumed by viewers, they must be replaced often. At the very least, they should be augmented by additional messages that communicate from a different point of view.

Cableshop: Call Up and See Me Sometime

Returning to the medium itself, there are numerous ways to buy cable time. One interesting approach with extensive infomercial test experience is called *Cableshop*. This was tested as a joint-venture experiment by the J. Walter Thompson ad agency and Adams-Russell cable operators in Peabody, Massachusetts. It is scheduled to roll out as an exclusive Adams-Russell property to 250,000 TV homes across the country in 1984. Contracts have been signed with multiple system operators including Rogers, ATC, Times-Morris, Cablenet, Cox, Cablevision and Maclean Hunter. Boston, Los Angeles, New York, Detroit, Atlanta and Tucson are a few of the metropolitan areas involved.

Cableshop is a 24-hour product information and home shopping service. The subscriber receives a printed guide, similar to a program guide but listing the various infomercials available instead of programs. The listings describe in general terms the subject matter of the messages which run from three to seven minutes in length. These messages are presented in a regular rotation sequence—but subscribers may telephone a number to request that any message they would like to view be moved forward in that sequence. The time the infomercial will appear is then displayed on the screen so that the subscriber can arrange his or her schedule to be at the set at the appointed time.

Cableshop found approximately 30 percent of the subscribers used the telephone to request at least one message. While this is not an astounding number, it is sizeable. Other results were even more positive. Over 70 percent of subscribers watched the three Cableshop channels—which carry nothing but commercial messages—at least once a week. Moreover, viewers were found to have a very high level of satisfaction with the messages. Most people said they preferred them to the shorter, network-variety commercials which, uninvitedly, interrupt their television entertainment.

In many cases, the infomercials even were preferred to much of the television programming. The incidence of improved attitude about the advertiser and advertised product was most gratifying. Surprisingly, little direct-response testing has been done on Cableshop. Most of the messages have come from national advertisers such as Kraft, Levi Strauss, Swift, Eastman Kodak and Scott Paper, who pay about $6,000 a month to appear. Who knows what opportunities await direct marketers when viewers seek out your message instead of vice-versa?

The Cable Networks: Reaching Out by Reaching Up

It is, of course, also possible to buy cable TV in ways similar to the purchase of broadcast TV. In fact, a few broadcast stations have become so-called "superstations," sending their signals to an orbital transponder to be picked up by local cable operators who seek additional programming for their systems. An advertiser buys the station (e.g., WTBS-Atlanta, WOR-New York, WGN-Chicago) as an ordinary broadcast buy. The cable circulation is picked up as a bonus. Obviously, since this is a more traditional broadcast medium, the type of commercial most suitable to it is similar to those that have been done for broadcast direct response for years.

Special interest cable networks also can be purchased through a single source. Networks such as ESPN, SPN, etc. offer audiences with particular viewing (and, perhaps, psychographic) profiles. Matching these with known characteristics for key prospects can give the direct marketer consideration advantages.

The Newest New Media: Information on Demand is in Demand

The ultimate potential for the direct marketer lies beyond cable. Mention already has been made of videotex and its transmission over telephone lines. Perhaps it is appropriate to provide a brief primer (for those who don't already know) about what videotex is and how it works. Basically, it combines the home television set, the existing telephone line, and a large capacity remote mainframe computer—to provide the subscriber with a system for accessing, on-demand, a vast amount of late-breaking news, archival information, banking services, product and service information and transactional capability. This is the database to which previous reference was made.

All the subscriber requires is an electronic "black box" that connects the television set to the telephone line and a videotex keyboard similar to that on a typewriter. By pressing certain keys on the keyboard, the home viewer is able to display "pages" or "frames" of information from the database on the TV screen.

Some of that information takes the form of advertising, often bundled with other helpful information. Since the system allows the home viewer to make requests for information on a specific, personal basis, he or she can move through the database to find whatever is of immediate and compelling importance.

Videotex also allows the prospect to request more information, a sales call, or to place a direct order for merchandise. In this respect, videotex works just like the telephone or the mail—but the customer need not get up to make a phone call. There is no phone number to remember. And no requirement to talk to someone they fear might intimidate or high-pressure them.

In a crude form, videotex already exists in information services delivered to personal computer operators via telephone. (With recent revelations about violations of computer security, and movies such as "War Games," one would have to be blind and deaf not to know that telephones are used extensively to communicate between computers.)

These rather primitive forms of videotex reach over 200,000 personal/business computer owner/operators. As of October 1983, the "Source," owned by Reader's Digest has over 41,000 people subscribing to its service. "Compuserve" has over 72,000. And Dow Jones has over 100,000 subscribers to their database All offer some form of interactivity, allowing users to input their own files to a central mainframe computer somewhere. Most offer some form of comparative buying service. Their primitiveness springs mostly from the limited graphics capabilities of most small computers. This is no problem for a system originally designed for data and word processing—and not primarily concerned with transactions.

But, this graphic limitation may explain why so little has been done by operators of computer-based videotex systems to offer them as marketing media. And, equally, why so few marketers are interested in videotex in this configuration. It is not easy to imagine how one might sell goods or generate leads using only words (although this often is accomplished in basic, simple mailings).

The bright star on the direct marketing horizon is videotex in its purpose-made format.

Several such systems have been put to test. Some of the more prominent have been Canada's "Grassroots," an agribusiness-based system in the province of Manitoba, now an up-and-running commercial service. Another is "Viewtron," the Knight-Ridder/AT&T joint venture conducted in Coral Gables, Florida. A third is the Times-Mirror "Videotex America" test conducted in Southern California.

All of these have been tests with small user bases. Even today, with an on-going commercial service, "Grassroots" serves only about 1,500 subscribers Canada-wide. But its program has been successful enough to support its own steady expansion, based on its ability to deliver not only valuable agricultural, market, and weather information to the farmer but also to provide consumer-oriented transactional services which are equally valued.

Times-Mirror's "Videotex America" test was conducted among 300 homes over an extended period of time, a portion of which has been a limited, but successful, commercial trial. It is scheduled to go into full-scale commercial operation in the second quarter of 1984.

Viewtron: The Waiting is Over

In the meantime, the first "pure" commercial videotex service in the U.S. was launched in October 1983. This is the commercial manifestation of Viewtron which was preliminarily field-tested among 200+ South Florida homes in 1981-82. This test provided evidence to the satisfaction of Knight-Ridder of sufficient demand to justify their investment of nearly $29 million in developing a functioning commercial videotex system. Viewtron is being introduced under a strategy promising instant gratification, with the theme "The Waiting is Over." Plans call for at least 5,000 subscriber homes in Dade, Broward, and Palm Beach counties by the end of the first year of operation. Scaling up from there annually in geometric proportions, Knight-Ridder has, also, targeted 17 additional cities for roll-out of "Viewtron" as quickly as a successful south-Florida launch dictates.

Early indications are that success may come very quickly. As of this writing, Viewtron is ahead of its projections for subscriber sign-ups. After less than two months, Viewtron already is the largest pure videotex system in the country.

There have been some problems with the organization of the database. But these are to be expected with a new system comprised of hundreds of thousands of pages of information—and they are being worked out with minimal inconvenience to subscribers.

"Viewtron" advertising rates, which are being adjusted continually as experience is gained, are based on a charge to generate a frame, another charge to insert it into the database, another to store it monthly, another to up-date it (and up-dating, as we shall see, is one of the chief attractions of the medium). Finally, a percentage of the purchase price is charged for each item sold via the system.

Lest all this scare you off, the individual amounts are quite small—as is the total. A direct marketer can get valuable experience in this inevitable new medium for a surprisingly low price. Viewtron already has signed up over 150 advertisers.

Teletext: Potential Unlimited, Opportunity Unknown

A videotex lookalike also is being experimented with and receiving its share of industry hype. It is called *teletext*.

It looks like videotex in that it, too, consists of individual "pages" or "frames" of text and graphics which are displayed via the home television set. The fundamental difference is that teletext is one-way. It is sent out over the air (in a portion of the broadcast signal the current picture doesn't use). If you have a teletext decoder, a device similar in appearance to a videotex terminal, you can "snatch" teletext frames off the air by pushing buttons on a keypad. These frames are then displayed on your screen.

At this point, the cost of teletext technology is much less than videotex technology. It is entirely likely that teletext will be operational across the nation long before videotex. And it may well be an important new electronic medium for direct marketers. But, lacking videotex's interactive (or transactional) capability, it will never have the potential videotex has for those who sell direct.

Still, early experimentation in text and graphics for the teletext format will be helpful for the advertiser who later plans to exploit videotex.

Time Inc., NBC, and Centel's KeyCom are prominent among teletext operators and developers. Not unexpectedly for the medium with more potential for the general than the direct marketers, most experimentation in teletext has been done by general advertisers and their agencies, among them Young & Rubicam and Ogilvy & Mather.

The KeyCom teletext system is up and running. It is being sent via satellite to cable operators across the country as part of the broadcast from WTBS in Atlanta. This gives it a potential audience of over 24 million homes. But fewer than 500 of these homes have teletext decoders as of November 1983. This number, however, should expand dramatically as electronics manufacturers discover the sales potential in low-cost teletext decoders, either as add-ons to TV sets currently in use or as a built-in feature on new TV sets.

Immediately before this went to press, Time announced it was abandoning its teletext experiment. What this bodes for the future of this medium is unclear. There is some speculation that Time's withdrawal is linked to their attempts to turn teletext into something it is not, a truly interactive service. That distinction remains more naturally for videotex. But teletext may yet emerge as a popular information medium in the U.S., as it has in England. Perhaps its best potential for direct marketers will be as part of a hybrid system.

The Hybrids: The Best Answer May Not Be One Answer

These were mentioned earlier and are likely to take several forms. For example, one possibility for teletext is to use it to communicate entire software programs to personal computers. This is called down-loading and can dramatically expand the amount of information transmitted via teletext. Lodged in the home computer in the form of games or analytical programs, it will allow the user to interact with the program within his or her computer. There is no limit to the advertising content these programs can contain. Some very interesting experiments have already been conducted in this area. Of course, interaction directly with the marketer requires use of more traditional response devices.

In another example, subscribers to Canada's "Grassroots" system receive a monthly magazine similar to a program guide (in addition to the program guide inherent in the system's "menu" format). This is used to announce new services and new advertisers. It is also used to cross-ruff between printed messages and access codes for electronic frames.

As an experiment, videotex users were given hard-copy, four-color catalogs of merchandise which could be ordered via the videotex terminal. The catalog provided the kind of photographic visual not yet possible with videotex. Videotex provided up-to-the-minute information on sizes, colors, stock availability, delivery options and cost, information which quickly becomes outdated in a catalog.

Most notable among mass merchandisers, Sears has experimented with a videodisc version of their 1982 summer sale catalog. Imagine the impact of a four-color catalog with product-in-action demonstrations selling copy in sound and the emotional content of music. Now, imagine it integrated with a videotex system providing the latest purchase information, automatically and on cue. Such systems are already being tested on public-access terminals in Canada and the U.S.—and meeting with enthusiastic consumer acceptance.

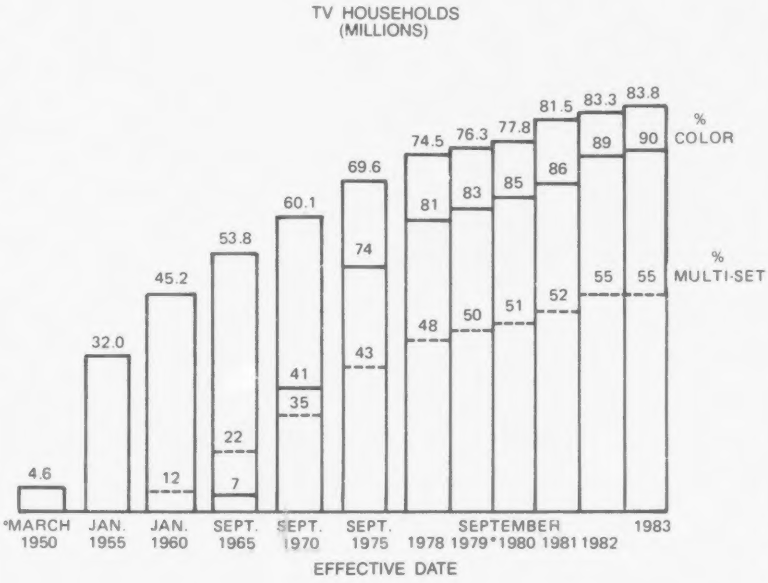
Summary:
The Dawn of the Good Old Days

In its attempt to cover the highlights of the new electronic media for direct marketers, this article can only skim the surface. Mike Slosberg, former president of Wunderman, Ricotta & Kline, observed that *all* advertising was once direct-response advertising. With the development of alternative distribution systems, direct marketing and general marketing went separate ways. The emergence of the new media, especially the interactive media, suggests a reunification is in sight. Changes in consumer lifestyles, combined with the unchallengeable convenience promised by the likes of videotex, could lead consumers en masse back to direct-buying habits. The disciplines direct marketers have honed over the years will become even more valuable in years to come. And the opportunities the new media will offer direct-marketing practitioners will provide a Golden Age for those who embrace it. Starting now.

Exhibit 8-1
TV OWNERSHIP

89 Percent of Households Have Color
55 Percent Own More Than One Set

Nielsen estimates 83.3 million U.S. households owned at least one TV set as of January 1983. Both color ownership and multi-set ownership had their largest increases in a number of years.



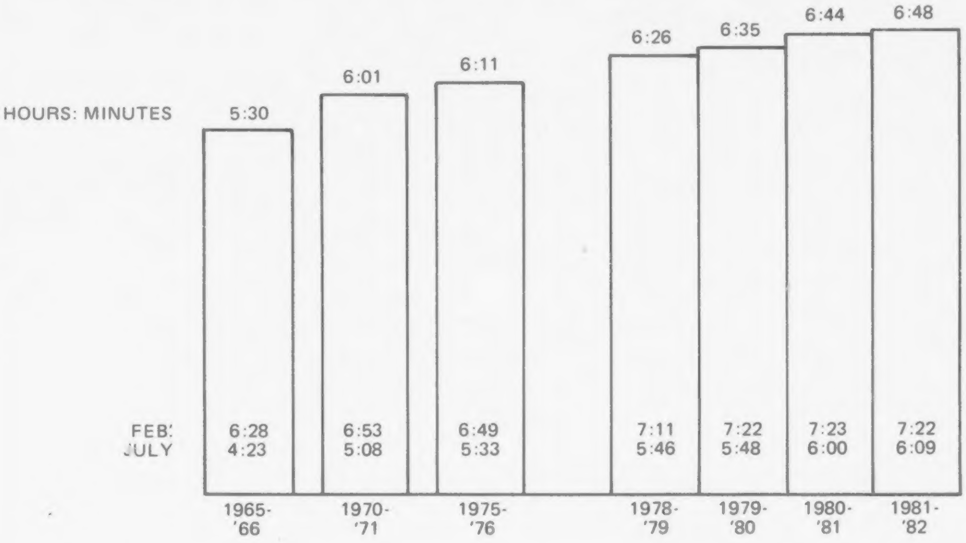
°Source: TV Ownership U.S. Census 1950-'70; Nielsen Estimates 1975-'82 Color ARF Census 1965; Nielsen Estimates 1970-'82 Multi-Set. U.S. Census 1960-'65 Nielsen Estimates 1970-'82

*As of 1979, estimates based on Jan. 1 of following year, effective in September.

Exhibit 8-2
AVERAGE HOURS OF HOUSEHOLD TV USAGE PER DAY

Household Television Usage
Now Over 6¾ Hours Per Day

TV households, on the average, viewed an estimated 6 hours and 48 minutes a day during the 1981-'82 TV season, the highest ever reported. This was a 4 minute increase over the 1980-'81 season. February levels have changed little in recent years, but July usage has gone up 21 minutes since 1980.



Source: Nielsen estimates based on total U.S. households Sept.-Aug. 48-week average excluding unusual days.

Exhibit 8-3
CABLE NETWORKS ACCEPTING ADVERTISING

	NUMBER OF HOUSEHOLDS			
	MAR. '83	SEPT. '83		
PROGRAM SOURCE	**(1000s)**	**(1000s)**	**% US**	**FORMAT**
Black Entertainment (BET)	3400	4540	5.5	Black
Business Times	—	27490	33.0	Financial News
Cable Health Network	9500	12650	14.7	Health/Sci
*Cable News Network (CNN)	19160	20820	25.0	News
Cable News Network II (CNN II)	2500	5350	6.4	News
*CBN-Cable	17500	19160	23.0	Various
*ESPN	24990	27490	33.0	Sports
Financial News Network	7745	9000	10.8	Financial News
Hearst/ABC—Arts	10800	11800	14.2	Cultural
Hearst/ABC—Daytime	8507	9500	11.4	Women
Modern Satellite Network	7623	8360	10.0	Info
*Music Television (MTV)	10830	15830	19.0	Music
Nashville Network	7000	8000	9.6	Country
National Spanish Network	N.A.	N.A.	N.A.	Spanish
Nickelodeon (1)	—	14990	18.0	Children
Satellite News Channel I	5600	7000	8.4	News
Satellite News Channel II (2)	N.A.	N.A.	N.A.	News
Satellite Program Network (SPN)	6100	7500	9.0	Various
Telefrance	7000	8000	9.6	French
*USA Network	17500	19150	23.0	Various
Weather Channel	6700	9600	11.5	Weather
*WGN (CHICAGO)	15830	16660	20.0	Various
*WOR (NEW YORK)	15830	14990	18.0	Various
*WTBS (ATLANTA)	25820	26650	32.0	Various

(1) Will accept advertising effective Sept 30, 1983 (2) Launch date: 4th quarter, 1983

U.S. Cable penetration is currently at 37.9% of TV households.

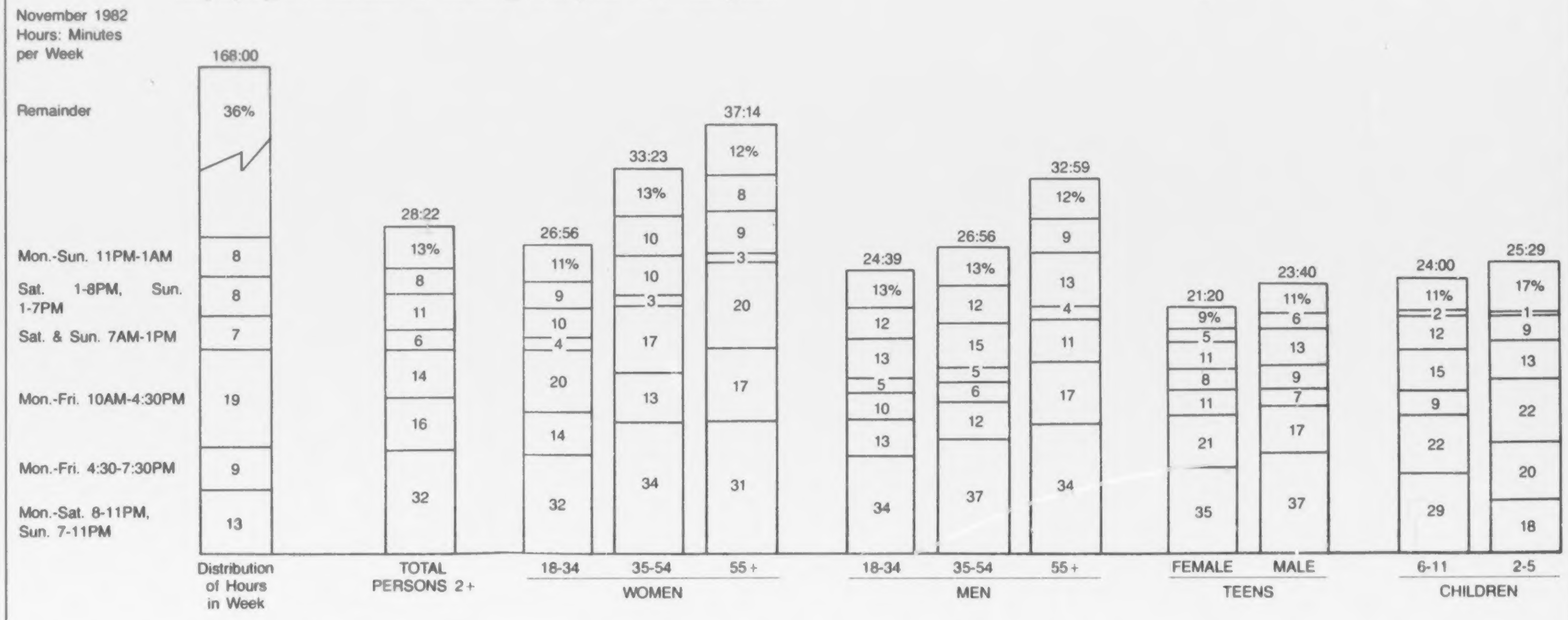
*As reported by A.C. Nielsen, August, 1983

Source: Leber Katz Partners

Exhibit 8-4
WEEKLY TV VIEWING ACTIVITY FOR WOMEN, MEN, TEENS AND CHILDREN

In general, women view more television than men; older men and women view more than younger adult age groups and younger children view more than older children and teenagers.

Though teenagers historically view less television than other groups, they joined one other group (women 35-54) in displaying an increase in viewing, this year over last year.



A. C. Nielsen Co., 1983

Exhibit 8-5

CABLE PENETRATION

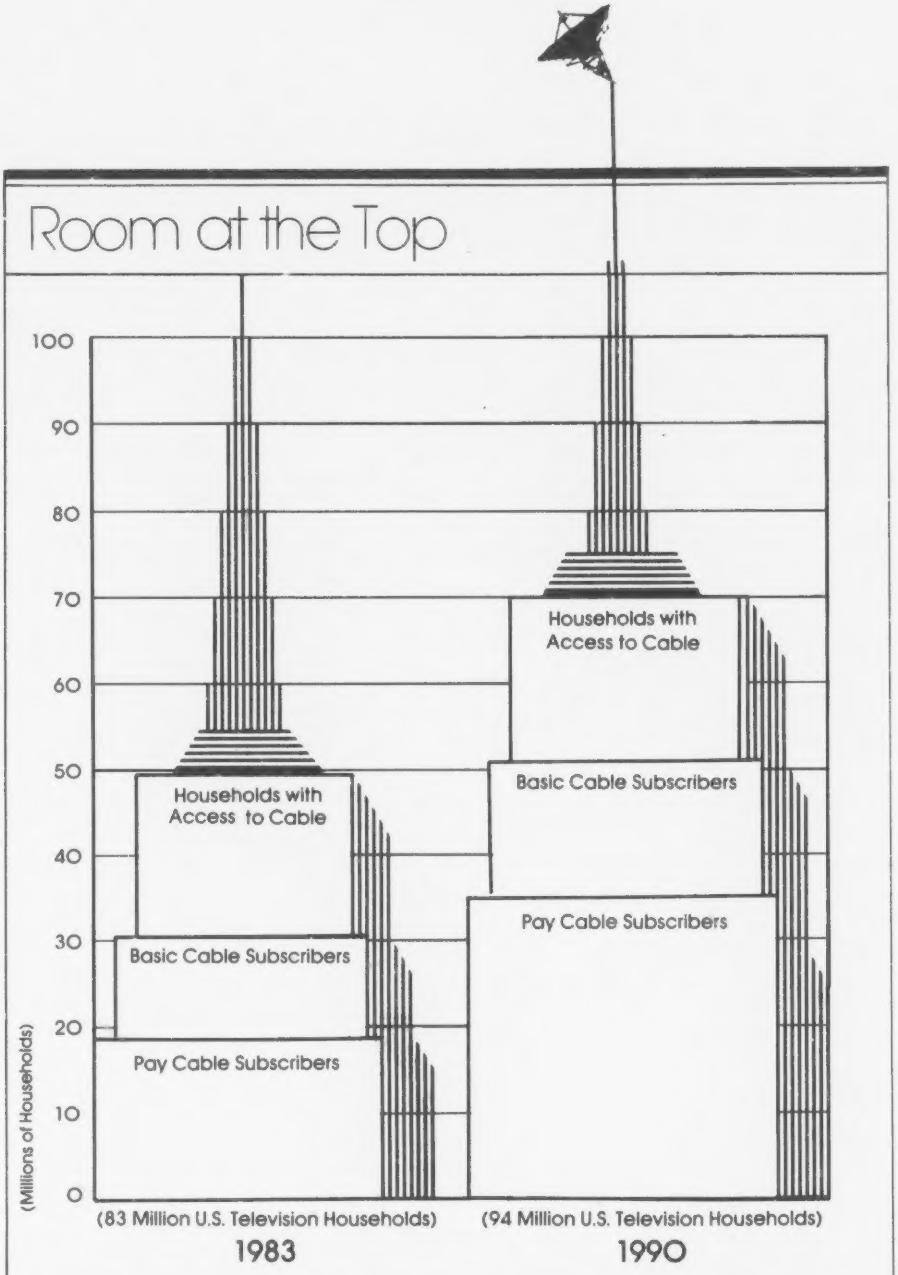
**(Top 50 designated market areas
ranked by tv households — 7/83**

A recent A. C. Nielsen Co. report says that 39.3% of U.S. households now are wired for cable (AA, Aug. 29). This chart shows the top 50 designated market areas by number of cable tv households.

Market (Percent Penetration)	Cable TV Homes	Market (Percent Penetration)	Cable TV Homes
1 New York (31.2)	2,020,890	26 Hartford/New Haven (53.9)	387,360
2 Los Angeles/Palm Springs (27.8)	1,195,510	27 Cincinnati (30.9)	220,550
3 Chicago (16.4)	489,150	28 Nashville/Bowling Green (31.6)	219,290
4 Philadelphia (39.0)	947,030	29 Milwaukee (21.4)	146,980
5 San Francisco/Oakland (46.7)	938,660	30 Kansas City (41.2)	279,760
6 Boston/Manchester/Worcester (31.4)	612,550	31 Orlando/Daytona Beach/Melbourne (48.5)	302,630
7 Detroit (23.7)	397,320	32 Buffalo (56.1)	346,540
8 Washington, D.C. (18.4)	275,220	33 Providence/New Bedford (26.7)	163,080
9 Cleveland/Akron (37.2)	527,380	34 New Orleans (44.1)	268,010
10 Dallas/FortWorth (31.2)	438,100	35 Charlotte (32.9)	199,490
11 Houston (37.8)	494,930	36 Columbus, Ohio (48.7)	286,460
12 Pittsburgh (57.3)	694,490	37 Greenville/Spartanburg/Asheville (35.8)	209,590
13 Miami/Fort Lauderdale (34.0)	390,810	38 Grand Rapids/Kalamazoo/Battle Creek (46.5)	269,400
14 Seattle/Tacoma (46.3)	519,160	39 Memphis (36.1)	209,130
15 Atlanta (34.5)	380,850	40 Birmingham/Anniston (45.8)	261,540
16 Minneapolis/St. Paul (13.9)	152,250	41 Raleigh/Durham (42.0)	229,350
17 Tampa/St. Petersburg/Sarasota (36.5)	391,250	42 Salt LakeCity (27.8)	151,810
18 St. Louis (26.5)	277,060	43 Oklahoma City (47.3)	257,230
19 Denver (25.0)	225,010	44 Louisville (41.3)	222,390
20 Baltimore (24.3)	206,560	45 San Antonio/Victoria (58.5)	302,370
21 Sacramento/Stockton (32.0)	272,500	46 Charleston/Huntington (58.8)	294,480
22 Indianapolis (38.9)	316,570	47 Norfolk/Portsmouth/Newport News (41.1)	201,790
23 Portland, Ore. (30.8)	250,320	48 Harrisburg/Lancaster/Lebanon/York (54.3)	262,550
24 Phoenix/Flagstaff (27.1)	206,960	49 Wilkes-Barre/Scranton (66.2)	314,970
25 San Diego (60.8)	440,170	50 Albany/Schenectady/Troy (53.2)	249,900

Source: A. C. Nielsen Co.

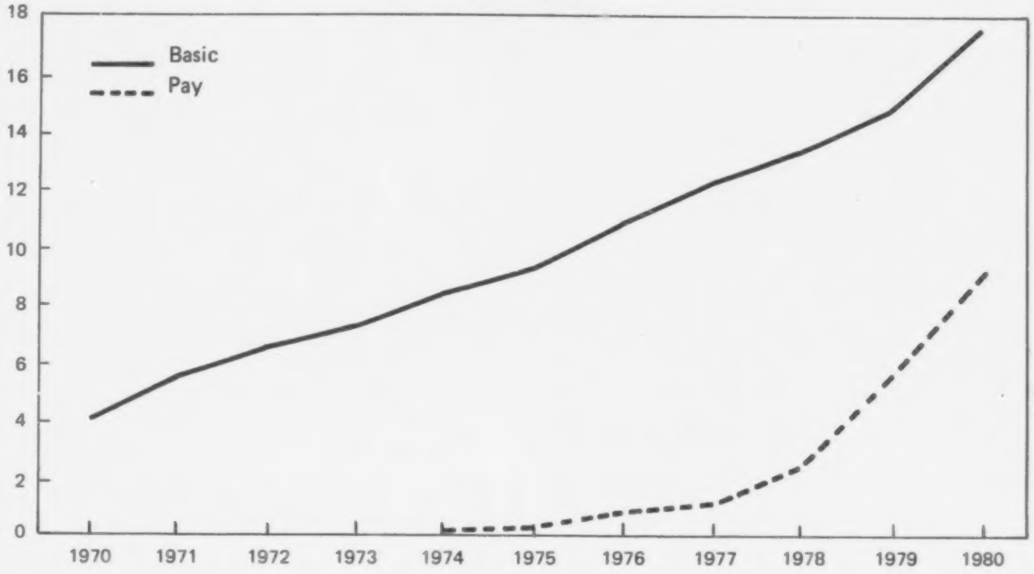
Exhibit 8-6



Today approximately 40 percent of U.S. households with access to cable television have chosen to remain "off-line;" and if the experts are correct, some 30 percent of cable's potential audience will still be unconvinced in 1990. Twenty million strong, those elusive potential subscribers are too numerous to ignore. In years to come, capturing them will be a cable industry priority.

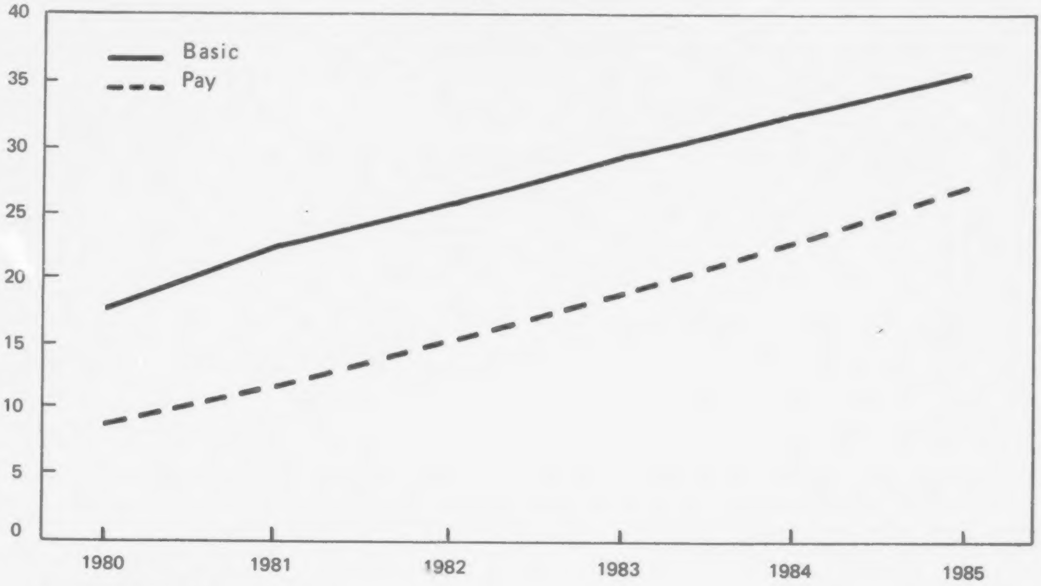
Sources: Nielsen Station Index and Grey estimates

Exhibit 8-7
CABLE TELEVISION
Historical Growth
(MM HHs)



Source: A.C. Nielsen
Paul Kagan Associates

Exhibit 8-8
CABLE TELEVISION
Projected Growth
(MM HHs)



Source: A.C. Nielsen
Paul Kagan Associates

9

New Technology

Section I — Pre-Press Electronic Preliminary Systems

by Noby Yamakoshi
NOBART, Inc.

From the first Montgomery Ward direct-mail piece produced in 1872 to the sophistication of the 1980s, there have been many technological advancements developed to sell more merchandise through direct mail. The line illustration woodcuts used in the 1870s to illustrate merchandise gradually evolved into more realistic wash (tone) illustrations. From these black and white illustrations, photography began to replace the artist's renderings. From black and white photography, full living color photography evolved, bringing products to life, creating a greater desire on the part of customers to buy through direct mail.

With this general background of direct mail graphics history, this section reviews today's technology and projects tomorrow's developments in the pre-press electronic systems, chronologically from the conceptual layout, copy and type, photography, and color separations.

Creative Layouts by Computers

Layouts can now be operated with the aid of computer technology. Systems are designed to be a creative tool for the non-computer-oriented layout professional. Graphic computers are able to create, illustrate, digitize, and animate. They can output to a variety of sources: video, full color prints or transparencies, and greyscale copies, again and again, without harming the integrity of the image. The sophisticated computers are equipped with an electronic easel and stylus that can be used to draw, airbrush, or paint original images.

A video camera can scan and display on a monitor any two or three dimensional object, such as products, type, photographs, tear sheets, logos, even live objects. These images can be colored, exploded, compressed, repositioned, and turned inside out or upside down.

Altering visual images electronically allows more creative flexibility than has been available through traditional graphics and optical methods. The computer can change colors, shapes, sizes on any graphic element instantly; has more than 16,000,000 variation of colors at the operator's fingertips; and can be equipped with infinite symbols, logos, and type fonts. All visual images can be stored on discs for future use or rework.

In direct mail catalogs, the layout computer machine can create a page and give different alternate effects in merchandise or background colors instantly on the computer screen or with a color print.

Copywriting and Typesetting Electronically

Digital technologies have been applied in the typesetting industry. First, there was paper tape used to input information on monotype and linotype machines. Holes were punched into paper tape that represented different alpha and numeric characters and functions. The tape was fed through a reader that forced compressed air through the holes causing switches to be thrown that represented different characters. Compressed air was later replaced with light that was shown through the tape into a fiberoptic head, which did a faster, more efficient job of reading tape. As typesetting evolved into photo composition, most processes of the machines fell under microprocessor control.

Each of these modifications speeded up typesetting equipment functions, but a threshold appeared at about 80 lines of copy per minute which could not be exceeded without severe quality degeneration. It was found that the mechanical processes in photo typesetters could no longer be speeded up to match the speed of the microprocessor-controlled functions. So, a third generation of photo typesetter was designed that would eliminate all moving parts except for the film transport, which moves the roll-fed paper past the photo unit.

Unlike the second generation photo typesetters, which utilized a spinning or side to side moving negative film font that was exposed through to image the character on sensitized paper, the third generation, CRT typesetters, have digital information recorded on a Winchester hard-disk drive. This digital information represents black and white images or characters to be exposed on the sensitized paper as it passes over a Cathode ray tube.

The process is so fast that the paper moves continuously and the CRT beam "chases" the paper, offering output speeds of up to 3,500 lines per minute.

Off-Premise Copywriting

Information networking is the process of creating data at remote locations for transmission over phonelines to a central point where data can be collected, massaged, then redistributed for use at other locations or to drive other types of equipment. This type of networking system is being used more frequently today for typesetting applications.

Copywriters and editorial people are able to work at off-premise locations to prepare copy for all types of catalogs and publications. Copywriters use a computer terminal and a modem to dial into a central computer where they write copy into an electronic file. This information can be preformatted to use all the functions on a photo typesetter, such as type sizes, type faces, indents and multi-column page make-up. These electronic files can be proofread from a computer terminal, so that it is no longer necessary to run an etch proof to find mistakes. Should some copy need to be rewritten, the copywriter can call up and edit the first version electronically, then close the file, which gives the typesetting personnel immediate access to the information.

Accuracy, speed in relay time, and cost savings are realized by technologies in copy and typesetting.

Technical Innovations in Photography

Since 1945, many technical advances have been made in modern photography. The greatest advances have been in film, processing, lighting equipment, and camera (both small and large format), lens technology, and exposure automation through computerized metering data.

Although the studio working environment for the creative photographer has not changed significantly, the equipment and tools have made great technological progress. Creativity with new generations of films, cameras, and lighting equipment have made their work more automated and productive. Today and in the future, the photo industry's ability to grow at an accelerated pace will come from photo equipment innovation by manufacturers and the momentum of the photographers.

1826—"World's First Photograph," was a heliograph by Niepce. The next significant process was developed in 1837 by Daguerre—a positive image developed without a negative on a copper plate. This process remained in use until about 1860.

In 1880, George Eastman began manufacturing dry plates and formed the Eastman Dry Plate Company. Eastman introduced the first commercial sheet and roll film to the public in 1888, and the trademark "Kodak" was introduced.

Glass plates, to paper, to celluloid were introduced July 1889. In 1935, Kodachrome film was announced to the public. Then in 1938, Kodachrome sheet film was developed for use with large format professional cameras, along with 35mm film; from this emerged the Ektachrome film which is used by studio photographers today.

The first Ektachrome film was created in 1946 as Daylight and Type B sheet film for professional photographers. The Daylight speed was 12 and the Type B speed was 10. Process E-1 enabled photographers to process their own transparencies in about 90 minutes at 20°C (68° F).

In 1976, new Ektachrome professional films, Ektachrome duplication films, and new processing chemicals for E-6 made their appearance. Speeds of 1000 negative films (Daylight) are now possible on roll films and 200 (Daylight) on professional sheet film. Processing time has been reduced to 38 minutes dry-to-dry. From those first dry plates by George Eastman in 1880 to the ASA 400 Daylight in 1983, each step has been a significant advantage to the working photographer. Today, there are over 350 types of film, both color and black and white, transparency or print, still or motion, to assist the professional photographer to achieve his creative objectives.

New electronic codes may appear on 35mm films to enable automatic cameras of the future to take better pictures. Such cameras would read a film's speed and adjust the camera's exposure. They would, also, be able to determine what type of film was in the camera, color, black & white, negative, or reversal, and adjust over and under exposure tolerances. They could tell the camera the number of exposure on each roll and signal the user to rewind after the last exposure. While no camera currently on the market can read these codes, 35mm equipment manufacturers will be able to design cameras that can.

"In house" processing of color films, reversal or negative, can be easy and economical for all photography studios. There are many methods for processing, from totally manual hand procedures to fully automatic computerized systems with automatic replenishment systems. Replenishment is the replacing of a certain amount of exhausted chemicals with fresh chemistry determined by a microcomputer.

Another important technological advancement in film and processing was the invention of the Polaroid film process in 1947 by Dr. Edwin Land. This process enabled finished prints to be seen in seconds. It started with simple black and white prints. A complete line of cameras and film has now been developed, from 35mm instant black & white and color transparencies called the Polaroid Autoprocess 35mm System to a 20″ × 24″ color print. The 8×10 Instant Polacolor Print is now widely used in professional studios along with 4×5 black & white and color.

Along with film and processing technology, lighting, cameras, and lenses have also made spirited advances to assist professional photographers.

The advance in photographic lighting was being developed during the late 1930s by Dr. Harold E. Edgerton, who was an electrical engineering professor at M.I.T. He was working on an electronic flash which could freeze high speed action. Exposures as short as one millionth of a second were possible with his equipment.

The electronic flash has rapidly replaced the old "hot lights" associated with photography, although tungsten lights still are used in professional studios. The mobility, creativity, and effectiveness of the professional photographer has been greatly increased by the use of the electronic flash.

Lighting is the photographer's most important tool, since photography is simply the reproduction on film of the effect of light on the subject. Only by understanding the principles of lighting, and then applying them with the right lighting equipment, can one master the art of lighting.

Modern lighting systems offer a vast array of specific equipment, each of which has been designed to give a specific lighting effect. From simple electronic units designed for small work, manufacturers now have developed a modular system flash unit to allow the photographer to switch flash as easily as switching lenses. This is achieved by totally interchangeable heads. You simply choose the right head for the right situation, and you'll have the same type of creative control only found in daylight shooting (without flash).

In the future, for small flash systems, we will see more powerful units, lighter, smaller and more compact, more accessories, also infra-red flash, or radio controlled flash, or fiber optic flash. These last three items are available in more expensive, sophisticated professional systems.

The professional studio equipment, power packs and flash heads, are separate working tools. Modern technology has given the professional photographer a wide range of equipment to choose from to meet the challenges of his assignments.

Most electronic flash equipment comes complete with many accessories to work in conjunction with the basic Power Pack and Head.

The accessories are many and varied to assist the photographer to shoot better pictures; from umbrella to light stand, Opalites for special effects with grid spots; for dramatic lighting, incandescent room lighting with tube pencil lights, colored lights to make photos more interesting.

With the popularity of light-box or soft-box photography, electronic flash offers the photographer shorter exposures for cleaner and more consistent background and merchandise colors—thereby reducing costly retouching time.

Fiber-optic flash systems, along with radio-controlled equipment, and front projection are among the options now available through modern technology for the professional.

While camera bodies in the early days were relatively simple in their construction, usually being built by cabinet makers, they were relatively expensive. Similarly, the technique of lens making required great skill. A factor necessary for the adoption of photography was a relatively low-cost camera.

Modern technology has brought the industry a long way from 1913 when the first still camera to use 35mm film was introduced. While the camera was a sophisticated instrument, with F/3.5 or F/2.5 lenses, and shutter speeds up to 1/200 second, the camera "died," a victim of the first World War.

Three events then occurred that had little influence on photography for the average person, but were previews of things to come. These were the introduction of the coupled rangefinder, an automatic film advance, and the Leica. The Leica's appearance in 1927 for $88.00, and its influence on camera design, makes it the most influential camera of the past half-century.

About 1940, there was a parallel development in another type of camera—the twin-lens Reflex. This led to the modern day single-lens Reflex (both the 2¼ × 2¼ or the 35mm).

Modern technology has brought us to the 35mm system with its professional motor drive, the finest in optics—the highest technological sophistication known today.

Apart from high-quality action photography, the real strength of the professional lies in large format view camera techniques with which he can compose single shots with complete control of quality and image effects. Obviously, the well-rounded professional will continue to work all formats—35mm and 2¼ × 2¼.

The precision-engineered view camera with up-to-date lenses, improved focusing, and modular construction will, therefore, find itself complemented by a modular electronic system. The basis is the digital shutter with its microprocessor system. Various modules adapt this automation to the specific job requirements of each professional photographer of the 1980s—and these developments will help him maintain his superior standards.

The essential developments in view camera lenses took place in the 1950s and 1970s. The latest advances are based on computerized lens design (more advanced optimized calculation programs), and the use of new glass types, multicoating lenses, leading to reduced flare and increased image contrast.

In the future, we can look forward to a fully electronic view camera with in-camera spot metering, digital shutters and flash modes. Also on the horizon are filmless cameras with the ability to capture images on magnetic media. These images then can be easily manipulated in digital form for page makeup, color correction, retouching and electronic storage, retrieval and transmission. All this leads to better photography—that will help sell more merchandise for direct mailers.

Electronic Page Makeup Graphics System

An electronic page makeup graphics system can be defined as a finished art and type production, color retouching, color separation, stripping and proofing system utilizing electronic digitized information to create a finished four-color page. A graphic system consists of, essentially, three separate, independent operating stations, the first of which is the scan and recording station. The scanner is tied to a process control computer, whereby the process color is scanned, digitized, buffered by the computer, and recorded on a 300 megabyte disk pack. Once the picture data has all been scanned and recorded, the data is then transferred to the second operating station with a digitizing tablet cursor, a high resolution color monitor, alphanumeric keyboard, a function keyboard, and disk storage.

In making the page, which includes layout of the picture elements, retouching, cropping, silhouetting, generation of tints, borders, the operator can also, working with the fine resolution picture data, do color correction in the form of overall or localized areas and do retouching and electronic airbrushing.

Once that is done and the page parameters are generated, there is a third station which is simply an offline data processing station, where the picture data is readdressed as per the page makeup requirements. The system can also be enlarged to create functions in offline to breakout the stripping functions from the color unit to allow for increased production of the stripping and color correction areas, now performed at the main station.

The layout programmer is an offline station, and it has a digitizing tablet, a cursor, a color monitor as well as an alpha numeral and function keyboard. The operator can do the stripping functions independently of the color correction functions. The operator can place the layout on the digitizing tablet, generate all the parameters needed for the positioning of the pictures, the cropping, tints, borders, all the necessary information that is needed for the assembly of the page. Also at this station, the operator has the opportunity to program the operating parameters for the scan station as well as the recording station.

It would be advantageous to record the film away from scanners, so there is an offline system for this function as well. With a film cassette, we can load 100 sheets of 21" × 29" printing film, and put it inside the recording unit; automatically the film (similar to the feed unit on a press) is, one by one, taken out of the stack and is punched and mounted on the recording drum. The recording is done, after which the rotation of the drum is reversed, the film is taken off and then transported through a transport system to an online rapid access processor. It can be tied to a multiple disk drive and run unmanned for hours utilizing all the sheets in the stack. This unit uses a laser head for its recording of the digitized information.

The most important feature of this system is the ability to perform the many tasks of graphic reproduction in a total electronic environment. We are now able to see the finished product before any final printing film is used, and changes and corrections are now accomplished without the loss of materials and time. This electronic page makeup graphics system is the future of color reproduction.

Section II — Individualized Computer Printing

by Leo R. Yochim

Printronic Corp. of America

Introduction

The basic reason to individualize computer printing is to increase your percentage of response to a mailing and, therefore, increase the profits of the company. Enough tests have been done, by different types of companies in direct marketing, which indicate that personalized mailing pieces will, generally, increase response. This increase is accomplished, because the personalization on the mailing piece attracts the attention of the reader and motivates him to read your offer. The more you can get the recipient to read your offers, the more response you should achieve.

It is the intent of this section to define the various elements that can be individualized in the mailing package.

Elements Required for Individualized Computer Printing

There are four basic elements required for personalizing computer printing. They are:

- Data available for personalization
- Formats for personalizing
- Equipment for personalizing
- Software programs for personalizing

The elements mentioned above will be discussed and presented in exhibit form.

Any combination of personalization can, generally, use *any* format that is produced on any type of equipment. The interrelationship between these elements is unlimited.

The software utilized to accomplish the individualized computer printing has been written by companies and/or service bureaus that produce individualized computer printing. It is not possible to organize the software into chart format for presentation purpose, because each program is individualized by the specific systems designer and/or programmer who wrote the software packages.

However, the utilization of personalization should be done in good taste, and the privacy of individuals should be protected whenever personalizing letters.

1. Exhibit 9-1 — Data Available for Individualized Computer Printing

Displayed in Exhibit 9-1 are some options that are available to the copywriter for utilization in direct-mail promotions. Databases can be created containing the interrelationships of customers, prospects, and compiled lists to develop unlimited data for personalization. Each company or organization maintains information that can be individualized that may not show up in Exhibit 9-1. It all depends on the creativity of the systems designer who prepares your customer's database file, and the information that is maintained.

Not included in this list is information, such as accounts receivables, dunning levels, and other billing routines. After all, every invoice you send out is an individualized computer-printed message.

2. Exhibit 9-2 — Formats Using Individualized Computer Printing

Exhibit 9-2 lists the generally accepted formats utilized in direct mail. The personalization that will be used, along with the offer and the type of individual you are trying to reach, will dictate the type of format that will be used to individualize computer printing.

Exhibit 9-1

DATA AVAILABLE FOR INDIVIDUALIZED COMPUTER PRINTING

CONSUMER MAILING

INDIVIDUAL'S NAME	TITLE; FIRST NAME; MIDDLE NAME; SURNAME; MATURITY TITLE
(Examples)	Mr. & Mrs. John J. Smith, Jr., President (Maximum Elements) Mr. Smith (Minimum Elements)
ADDRESS — LINE 1	Apartment House, Apt. Number, Care of, etc.
ADDRESS — LINE 2	1234 Main Street — P.O. Box — Rural Route, etc.
CITY	= Mayor's Name; School Name; etc.
STATE	= Governor's Name; Senator's Name; State Flower; etc.
ZIP/POSTAGE CODE	= Population; Residents; Number Businesses; etc.
SALUTATION	Dear Mr. Smith, Dear Joe, Dear Mr. & Mrs. Smith, etc.

BUSINESS MAILING	(Additional Addressing Data Available for Business Mailing)
INDIVIDUAL BUSINESS TITLE	President; Vice President; etc.
ORGANIZATION NAME	General Electric; IBM; General Hospital; Government Agency; etc.

SUBSCRIBER PERSONALIZATION

Date Originally Subscribed
Subscription Source Indicates =
  Agency Name and Address
  Television Station Name
  Local Boy Scouts
  Salesman's Name
  Sweepstakes Response
Expiration Date
Number of Years a Subscriber
Telephone Number
Credit Card Number
Donor Name and Address
Installment Purchaser

CONTRIBUTOR PERSONALIZATION

Date of Last Contribution
Amount of Last Contribution
Total Contributions
Number of Years a Contributor

POLICY HOLDER PERSONALIZATION

Original Insurance Date
Amount of Insurance
Beneficiary's Name & Address
Owner's Name and Address
Amount of Premium
Number of Years Policyholder
Term of Policy
Agent's Name and Address

CUSTOMER PERSONALIZATION

Date Original Purchase
Product Last Purchased
Product Originally Purchased
Category of Products Purchased
Telephone Number
Credit Card Number

DEPOSITORS/INVESTORS PERSONALIZATION

Total Investment Value
Salesman's Name
Branch Manager's Name
Total Number of Accounts
Family Relationships

PROSPECTS

ZIP Code =
  Governor's Name
  Senator's Name
  Elected Local Officials
  State Flower
  State Bird
  State Motto
  City Motto
  Population
  Households
  Unemployment Rates
  County Name
  Local School
  College
  Prison

Latitude/Longitude =
  Distance to Nearest Dealer
  Distance to Home Office
  Name of Closest Recruiting Station
  Name of Closest Supplier/Salesman
  Airfare between Two Points
  Time Zone Differences

Compiled Lists =
  Husband's and Wife's Names
  Number of Children
  Owner or Renter
  Apartment or House
  Occupation
  Telephone Number
  Automobile Make and Model
  Birthdate
  Age

Business Compiled Lists =
  Number of Employees
  Sic = Business Type
  Total Billings
  Number of Locations

Student Lists =
  School Name
  Grade
  Degree
  Home Address
  School Address
  Years at School

Professional Lists =
  College Attended
  Age
  Professional Degree
  Marital Status
  Sex

Exhibit 9-2

FORMATS USING INDIVIDUALIZED COMPUTER PRINTING

POST CARDS Single 2-Part	Post cards from the U.S. Post Office do not come in continuous form and would be difficult to personalize on the computer. In order to meet postage savings, there are size limitations for post cards. Any information shown in Exhibit 9-1 can be inserted on the front or back of a post card.
ENVELOPES Affixed to Continuous Forms Converted after Personalization	Standard envelopes will generally not feed through a computer printer unless they are in continuous form. Any size envelope can be affixed to continuous form. Any data shown on Exhibit 9-1 can be printed on the front of the envelope, and can be printed anywhere on a flat sheet of continuous form paper. After personalization the flat piece of paper can then be converted into an envelope.
LETTERS Business Size Monarch Size Invitation Size	Any information shown in Exhibit 9-1 can be printed anywhere on the letter and on either or both sides. Single or multi-page letters can be personalized.
CATALOGS Outer Covers Inside Inserts Order Cards/Envelopes	Any information shown in Exhibit 9-1 can be printed anywhere on a catalog cover or insert. A diecut in the catalog cover will show the name and address through the window, while the inside insert carries personalization. The centerfold reply device can be personalized during the saddle stitch operation.
SELF-MAILERS	Any piece of paper up to 18" wide and 28" long can be personalized on either side. The piece of paper can then be folded into any size and mailed. These pieces do not have the special post card rate.
PROMOTION MAILINGS	These would be similar to self-mailers in the specifications, but would be folded and inserted into an envelope.
BOOKS Diet Plans Horoscopes Beauty Aids Children's Books	Any number of pages can be personalized and collated and bound into a booklet form. They could be as small as 4 pages and as long as 64 pages. In addition to the data in Exhibit 9-1, information is supplied by the customer, such as date and time of birth, height and weight, family members, pets, and is unlimited as to the amount of personalization that can be computer personalized in any format.
REPLY CARDS Orders Contributions Inquiries	The order card can be personalized with any of the information shown in Exhibit 9-2. It is then, generally, used as the vehicle to carry the letter, brochure, envelope, etc. in a promotion mailing.
MATCHED MAILINGS	Any combination of envelopes, letters, and reply cards can be personalized and collated together into a single mailing package. Personalization can be on any or all of the individual pieces in the mailing package.

Exhibit 9-3

EQUIPMENT FOR INDIVIDUALIZED COMPUTER PRINTING

IMPACT PRINTING	The computer equipment most often utilized in individualized computer printing is hardware called Impact Printers. These are mechanical devices that have type slugs, ribbons, and a platen. Vendors of impact printers are IBM; Storage Technology Corporation (Documentation Printers); Data Products; and several other smaller vendors. The mechanical limitations are generally 10 characters to the inch and 6 or 8 lines to the inch. They vary in speed from 600 lines per minute to 3,000 lines per minute. Generally speaking, any data shown on Exhibit 9-1 can be printed on the formats shown on Exhibit 9-2. Both sides of the form can be personalized, and, usually, only one type of font can be used at a time.
INK JET	There are unlimited type fonts and styles available in Ink Jet Printing. The principal manufacturers are Mead Dijit; Response Graphics; IBM; A. B. Dick; and several other smaller vendors. Again, any data shown on Exhibit 9-1 can be imaged on the formats shown in Exhibit 9-2, except for continuous form envelopes. There are no mechanical type slugs, platens, or ribbons utilized in ink jet printing. The ink is electronically sprayed on the paper to form the message or individualized printing that is desired.
LASER PRINTING	This type of printing is the latest development for individualized computer printing. The principal manufacturers are IBM; Xerox; Sperry Univac; Data Graphics; Hewlett Packard; and several other smaller vendors. Laser printing is a type of xerography. Electrostatic images are electronically affixed to the paper and dry ink (called toner) is affixed to the paper to form a printed image. There are mechanical limitations on the size and type of paper that can be printed on in laser printing. For instance, Xerox only take 8½ by 11" sheets of paper; IBM's maximum paper length is 11"; and the inks on the letterhead must meet very critical specifications.
ELECTRONIC PRINTING	The future will be magnetic ink that will be electronically affixed to paper without the use of platens or plates. Every catalog or mailing piece can be completely personalized based on the criteria you know about your customer or prospect.

Exhibit 9-4

HISTORY OF INDIVIDUALIZED COMPUTER PRINTING CATALOGS

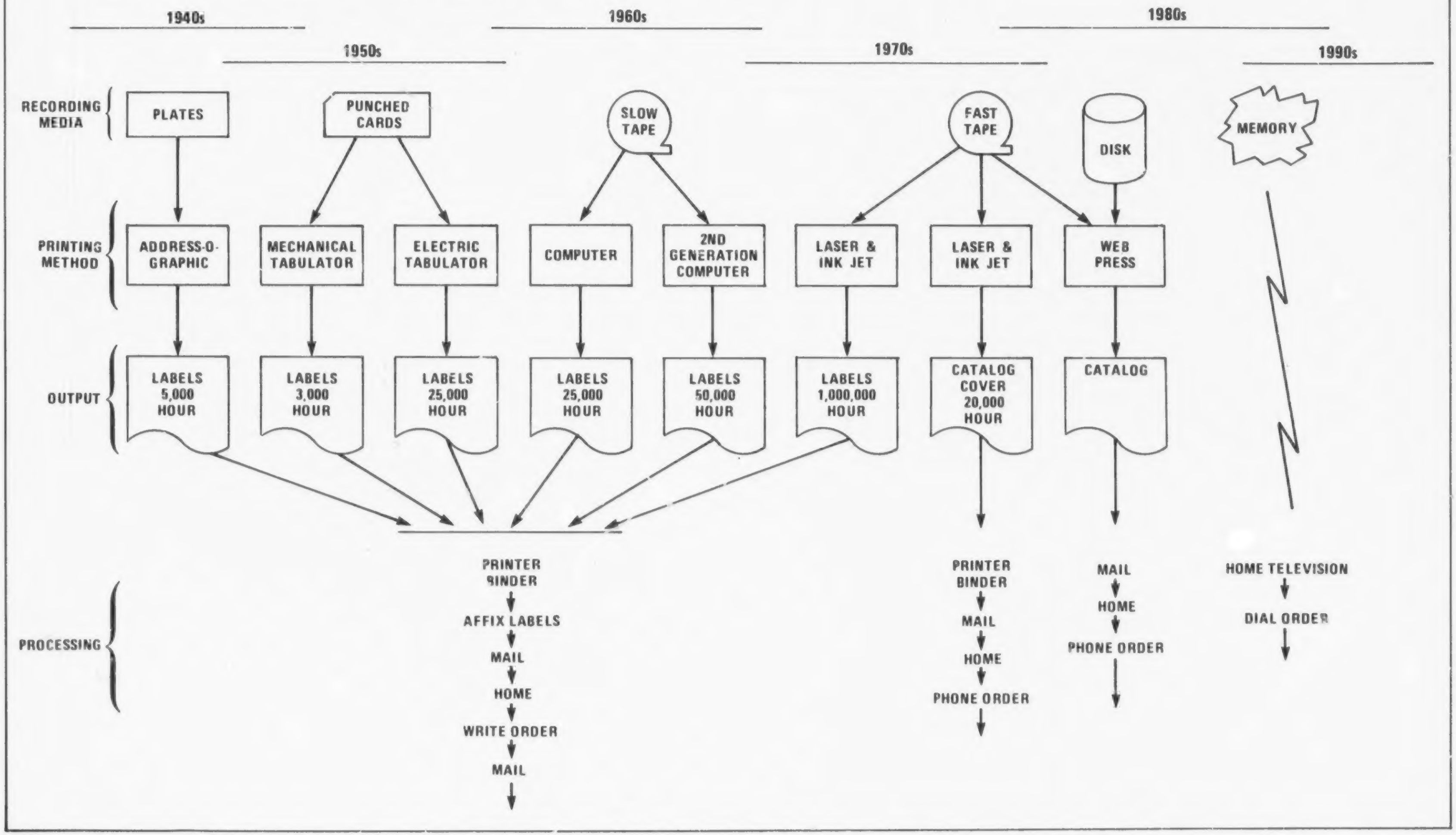

1940s
1950s
1960s
1970s
1980s
1990s
RECORDING MEDIA
PRINTING METHOD
OUTPUT
PROCESSING
PLATES
PUNCHED CARDS
SLOW TAPE
FAST TAPE
DISK
MEMORY
ADDRESS-O-GRAPHIC
MECHANICAL TABULATOR
ELECTRIC TABULATOR
COMPUTER
2ND GENERATION COMPUTER
LASER & INK JET
LASER & INK JET
WEB PRESS
LABELS 5,000 HOUR
LABELS 3,000 HOUR
LABELS 25,000 HOUR
LABELS 25,000 HOUR
LABELS 50,000 HOUR
LABELS 1,000,000 HOUR
CATALOG COVER 20,000 HOUR
CATALOG
PRINTER BINDER
AFFIX LABELS
MAIL
HOME
WRITE ORDER
MAIL
PRINTER BINDER
MAIL
HOME
PHONE ORDER
MAIL
HOME
PHONE ORDER
HOME TELEVISION
DIAL ORDER

Exhibit 9-5
DETAILS AND SPECIFICATIONS OF FORMAT & SPECIFICATIONS
Impact Printing (Computer Letters)

Characteristics	Chain/Train	Drum
Technology	Hammer strikes paper and paper hits character to be printed. Similar to typewriter method.	Hammer strikes paper and paper hits character to be printed. Similar to typewriter method.
Paper forms requirements	Any paper stock that can be used in a typewriter can be used for computer letters.	Any paper stock that can be used in a typewriter can be used for computer letters.
Size	Maximum width 18.5 inches Maximum lengh 22 inches. (Any increment up to above.)	Maximum width 20 inches. Maximum length 22 inches. (Any increment up to above.)
Paper weight	Any paper stock that can be used in a typewriter can be used for computer letters.	Any paper stock that can be used in a typewriter can be used for computer letters.
Roll/fanfold	Fanfold paper only. Fanfold depth dependent on web press size that forms printed.	Fanfold paper only. Fanfold depth dependent on web press size that forms printed.
Inks	Printing inks are not affected in computer letters.	Printing inks are not affected in computer letters.
Remoistenable glue	No limitations.	No limitations.
Type of fonts available	Limited to 6 or 7 styles manufactured by vendors. The popular one is Courier style.	Limited to 6 or 7 styles manufactured by vendors. The popular one is Courier style.
Printing speeds	From 100 to 2,000 lpm depending on model and number of characters. Average 790 lpm.	From 100 to 2,000 lpm depending on model and number of characters. Average 790 lpm.
Letters per hour	8½ x 11—2-up fill-in, 10,000. 8½ x 11—fully typed, 1,000.	8½ x 11—2-up fill-in, 10,000. 8½ x 11—fully typed, 1,000.
Computerized area of letter	Up to 15 contiguous in., Industry average 13.2 contiguous in. at 10 characters per inch.	Up to 16 contiguous in., industry average 13.2 contiguous in. at 10 characters per inch.
Ribbons and inks	Mylar or cloth ribbons in any color. Popular color is black.	Mylar or cloth ribbons in any color. Popular color is black.
On/off line to computer	Used either on-line or off-line. Printers can be in a lettershop environment.	Used either on-line or off-line. Printers can be in a lettershop environment.
Combination form & computer printing	Can only print characters on continuous forms.	Can only print characters on continuous forms.
Computer printing quality	If typewriter rated at 100, then chain/train rated at 90. Depends on operator's skill.	If typewriter rated at 100, then drum rated at 80. Depends on operator's skill.
Type of computer	On-line IBM 360/370 Series. Off-line print image tapes from any computer.	On-line or off-line to any computer.
Programming requirements	Most companies and service bureaus write own program. Programs available from software houses.	Most companies and service bureaus write own program. Programs available from software houses.
Costs	Industry average $1 per M lines (i.e. 40-line 2-up letter, $40, 5-line fill-in, $5.)	Industry average $1 per M lines. (i.e. (40-line 2-up letter, $40, 5-line fill-in, $5.)
Principal vendors	IBM	Data Products
Model Numbers	IBM 1403 Printers	
Copy limits	Depends on the skills of the writer and programmer—of course, limited to typewriter font.	Depends on the skills of the writer and programmer—of course, limited to typewriter font.
Creative limits	Depends on the skills of the writer and programmer—of course, limited to typewriter font.	Depends on the skills of the writer and programmer—of course, limited to typewriter font.

Exhibit 9-6
NON-IMPACT PRINTING (ELECTRONIC LETTERS)

Characteristics	Ink Jet	Electrophotographic
Technology	Wet ink is sprayed under electronic control to form characters or images on paper.	Dry ink transferred to paper electronically and bonded by 400° Fahrenheit with 40 lbs. pressure.
Paper forms requirements	No paper stock limitations.	Limited types of paper stock. Continuous form bond recommended. Coated paper, adhesives, and paper containing plastic not recommended.
Size	No maximums—depends on web press cylinder sizes. (Up to 38 inch repeat.)	Maximum width 14⅞ inches (Itel 15⅝ inches). Maximum length 11 inches (Itel 14 inches). (Xerox 8½ x 11 inches.)
Paper weight	No limitations.	From 15 to 24 lbs. and thickness .06 inches. (Itel 15 to 27 lbs.)
Roll/fanfold	Roll or fanfolded paper. Prefer roll paper.	Fanfold paper only. Fanfolded at 3½ in., 5½ in., 7 in., 8½ in., and 11 in. (Itel variable by 1/12 in. within minimum 3½ in. to maximum 14 inches.
Inks	Printing inks are not affected in ink jet letters.	Printing inks affected by 400° Fahrenheit heat. Inks must be dried before using. Oxidative inks are recommended by the equipment manufacturers.
Remoistenable glue	No limitations.	Special glue that will not melt at 400° Fahrenheit.
Type of fonts available	Mead Dijit®—hundreds of fonts, see their manual. In addition Response Graphics (A. B. Dick System adaptation)—one font only.	Hundreds available—see individual service bureau or software house—or design your own.
Printing speeds	Up to 48,000 feet per hour. (800 feet per minute)	Up to 9,200 feet per hour. (10,036—11 inch forms/hour). (Itel 8,750 feet per hour).
Letters per hour	8½ x 11—fully typed, 52,363 per hour.	8½ x 11—fully typed, 10,000 per hour. Monarch size with envelope, (2-up), 10,000/hour.
Computerized area of letter	Mead Dijit® 5.12, 8 or 10.67 inches. Response Graphics 15 lines of 30 characters anywhere on page on either side.	Up to 13.6 contiguous inches. Can only print on one side.
Ribbons and inks	Black ink only for Mead Dijit®. Various colors for Response Graphics.	Black ink only.
On/off line to computer	Off-line only. Print image tapes must be developed from the computer.	On-line or off-line. Only available on-line to IBM 370 series computers.
Combination form & computer printing	Mead Dijit® can only image paper. Response Graphics can image and print four color process die cut and fold in one operation.	Has the ability to print forms/letterheads at the same time it is printing copy.
Computer printing quality	If typewriter is 100, Mead Dijiit® is 80. If typewriter is 100, Response Graphics is 60.	If typewriter is 100, IBM 3800 is 90. If typewriter is 100, Xerox is 100.
Type of computer	Any type of computer can be used to prepare print image tapes.	Must be on-line IBM 370 series. Off-line tapes can be prepared by any type of computer.
Programming requirements	Mead Dijit® supplies the software program to create print image tapes. Response Graphics has no software programs.	IBM supplies limited software programs. Other programs available from software houses.
Costs	Cost about $10 per thousand 8½ x 11 letters with no limit to the number of characters that can be printed.	Cost about $10 per thousand 7 x 11 letters (2-up) with no limit to the number of characters that can be printed.
Principal vendors	Mead Dijit® and Response Graphics.	IBM and Itel.
Model Numbers	Models based on ink bar.	IBM 3800; ITEL 7800; XEROX 1200
Copy limits	Depends on the skills of the writer and programmer. Mead Dijit® limited to 5.12, 8, or 10.67 in. of variable horizontal copy space but by rotating form, limitations are eliminated.	Depends on the skills of the writer and programmer. Limited to 13.6 inches and font can be intermixed any place on page.
Creative limits	Depends on the skills of the writer and programmer. Mead Dijit® limited to either 5.12, 8, or 10.67 inches of variable copy space. But, rotating form eliminates limitations.	Depends on the skills of the writer and programmer. Limited to 13.6 inches and font can be intermixed any place on page.

3. Exhibit 9-3 — Equipment for Individualized Computer Printing

The principal equipment being utilized today for personalizing computer printing is listed in Exhibit 9-3. It is intended as a guide of what can be done.

Specific details for format and for equipment for individualized computer printing are covered in Exhibits 9-5 and 9-6. This information was furnished by DMA's Information Center.

4. Exhibit 9-4 — History of Individualized Computer Printing Catalogs

Recording Media. Prior to the 1950s, all names and addresses and personalized information were recorded on addressograph or speedomat plates. During this period, it was impossible to personalize direct mail because computers were not available.

During the 1950s, the recording media was transferred to punched cards. There was still only limited information available for personalizing direct mail.

In the following decade, punched cards gave way to magnetic tape where more information was maintained on each customer and prospect. Systems designers in the 1960s did not anticipate the effect personalization would have in increasing response, and, therefore, they did not capture this information in their original systems design.

In the 1970s systems were redesigned, databases were beginning to be established, and the ability to match files of magnetic tape together increased the amount of personalization that could be captured and utilized for individualizing computer printing.

Now, during the 1980s information is being transferred from tape to disk where unlimited personalized information may be captured and reused in personalizing computer printing.

Who knows what the 1990s will offer?

Printing Methods. Computer equipment has moved from printing 5,000 labels per hour to 1,000,000 labels per hour. Labels in the 1980s are giving way to laser and ink jet-addressing the catalogs directly—at the same time, the *order card* or *envelope* in the centerfold can also be individualized. The entire *catalog cover* is personalized. References are made to previous purchases and reasons to buy matching items again.

Output. The output from the 1940s to the 1980s has jumped from printing labels to producing catalogs on laser disks that can be played on your home television set, and actual demonstrations of the product you wish to purchase can be viewed.

Processing. The method used during the 1940s, '50s, '60s, and '70s was to send a label to the bindery where it would be affixed to the catalog, and then sent through the mail to be delivered to the home. Currently, the technique is to eliminate the labels and address the catalog cover as it passes through the web press and, at the same time, to individualize information on or in the catalog.

Other Formats. What is true of the sophisticated personalization of catalog is also true in other forms of direct mail personalization—whether it be selling subscriptions, raising contributions, or selling insurance.

Section III — Advanced Print, Production and Distribution

by John R. Walter

R.R. Donnelley & Sons Company

From the laboratory, to the classroom to numerous areas within the business and industrial sector, the computer is playing an increasingly vital role in the social evolution and economic development of the world, as we know it today. Of the numerous variations in application, the computer performs six basic tasks which can be categorized as follows:

- Information Processing
- Communication
- Calculation
- Customer Service
- Education
- Accounting

Entire industries have been born with the advent of computerization, while, at the same time, countless industries and fields have been revolutionized through the advancement of this technology. To name just a few: insurance, education, medicine, agriculture, engineering, and banking have profited from this revolution. Certainly, the direct marketing industry must acknowledge the importance of the computer as perhaps the single biggest factor in its strong growth and greater sophistication.

As in the direct marketing industry, today's computer has contributed to innovation and technical development within the printing industry as well. There have been many advancements and refinements in recent years within this industry, and, in the following pages, some of the more recent and exciting of these technical developments will be reported on.

Advanced Print

Offset lithography, rotogravure and letterpress are the three major printing processes in commercial printing. Even though letterpress is the oldest and, historically, the most flexible printing process, it has been in declining use for the past decade. In 1973, letterpress represented 15 percent of total catalog production. Today, it represents one or two percent of total catalog production. On the other hand, offset lithography and rotogravure have grown in use in the past decade and have experienced many new technological advances.

1. Plates

Offset plates have gone through several developmental stages. Originally, plates were made from a mixture of different metals. Plates were typically supplied to the printer without a light-sensitive photographic coating. The printer, who applied the coating to the plates, used a process that was cumbersome and inexact.

Today, pre-coated plates are received by the printer and are ready to use. Automatic plate developers have eliminated all handwork, thus reducing the overall time required to develop the plates.

Laser platemaking is an emerging plate technology. Newspapers, such as *Barron's*, *The Chicago Tribune*, and *The Wall Street Journal*, have been using laser platemaking for one-color reproduction for eight years. Recently, there have been new developments in four-color laser platemaking. In four-color laser platemaking, a scanning device is used to generate digital information from artwork. This digital information drives a controlled laser beam which strikes the photo-sensitive plate placed on a flat surface. The laser beam exposes the plate's light sensitive photographic coating, thereby producing the image for each color on the plate.

The laser platemaking system allows the printer to utilize digital page make-up and retouching in pre-press operations without film. This information is transmitted onto magnetic tapes and disks which drive the laser platemaker. It also allows the printer to transmit digitial information via land lines or satellite to one or more printing locations around the country or the world. Through the elimination of film, consistency and efficiency gains are anticipated over time. One major shortcoming of the system is the quality of four-color reproduction. Presently, laser manufactured halftone dots have a tendency to print on top of one another, due to the vibration of the system, thereby making quality less than acceptable.

2. Cylinders (Rotogravure)

Originally, the image transferred to the copper plated gravure cylinder was made by the use of carbon tissue or roto film, a photosensitive transfer medium. The medium was positioned on the cylinder and an etching solution (ferric chloride) was poured over the tissue or film. This etching process created cells which represented the printed image.

The next development in cylinder making was an electromechanical engraving unit known as the helio-Klischograph. Using a continuous tone piece of film placed on a scanning drum, eight scanning heads read continuous tone information. This information directs a diamond stylus cutting head to produce cells which represent the image to be printed.

An alternative engraving system presently under development is halftone gravure (H-G). Unlike the conventional engraving system which uses scanned continuous-tone film, the H-G system uses specially prepared halftone separations to engrave cylinders. Separations are mounted and scanned on a helio-Klischograph drum without the use of reflective material. The halftone information is then converted into a continuous-tone format for engraving gravure cylinders.

Some of the claimed benefits of the H-G system are:

- Detail and resolution are superior to the results obtained from continuous-tone film, since halftone film is more accurate and consistent.
- Cromalin (dry toner) proofs can be utilized to reduce total schedules and guide corrections to halftone film, thereby reducing costly corrections on the cylinder itself.
- Savings in ink consumption.

Even though these benefits are impressive, there have been some shortcomings in recent testing:

- Type and hard line lose edge definition and detail, making the quality unacceptable.
- Mounted halftone separations must have a perfect seal to assure correct density readings.

In spite of these deficiencies, the H-G system shows good potential for the future by reducing overall lead time in pre-press operations and producing quality four-color reproduction.

New breakthroughs have also been made in laser gravure. Similar to the helio-Klischograph, the scanner in laser gravure scans either film or reads digital information and transmits this information to the laser. The laser itself is a high-powered carbon dioxide laser which is modulated to produce deep or shallow cells based on input data. In the past, the laser beam would cut into the copper plated cylinders, requiring an enormous amount of energy. A recently developed special black plastic coating has been used instead of a copper shell on the cylinder. Engraving the cylinder via laser will now consume much less energy and absorb the beam instead of reflecting it for more accurate cell generation. After the black plastic is cut, the cylinder is nickel plated in an electronic plating unit.

Faster turnaround time is the major driving force in the development of this technology. The scanning and cutting head in laser gravure is faster than the scanning heads on the helio-Klischograph. Presently, the system being tested has only one scanning head (as opposed to eight on the helio-Klischograph), affording greater reliability on the basis of less mechanical and electronic components.

Various printers have developed the capability to produce gravure printing cylinders directly from digital data prepared by color electronic pre-press systems. This capability eliminates the need for intermediate films and allows for the precise control of color reproduction which is inherent in the electronic systems.

Another by-product of dealing with digital data throughout the process is the ability to utilize high speed communications to move reproduction information to remote locations. Whether using a domestic satellite network or high speed land lines, these systems provide for the fast transmission of high quality color reproduction data between the multiple plant locations.

Production

1. Pressroom Production

On a press there are many variables that must be constantly monitored and adjusted. Originally, on simple presses, adjustments were made manually. As presses became more complex and were able to run at higher speeds, the capability to quickly make more adjustments became necessary. The use of electrical, pneumatic and hydraulic driven press controls helped to satisfy this need.

Currently, computerized press controls are being developed to continually monitor press conditions. The computer can locate, diagnose, and automatically correct a problem through a closed-loop control system. The problem is displayed on a CRT terminal instead of the conventional "flashing red light" system. The CRT displays an in-depth analysis of the press problem. The press controls automatically regulate vent temperature, web tension, and color register. These controls help reduce makeready and running waste, improve quality consistency, and enable the press to hold color register while running at faster speeds.

Another development that helps to speed makereadies is a sophisticated inking system called color preset. Color preset is a new technology which enables the printer to scan film or plates to determine ink fountain settings on the web offset press. The preset system rapidly balances color during makeready and then requires only minor adjustments. Color levels should reach 65-85 percent of the desired color OK levels after scanning and setting of ink fountains.

Two inking systems have recently been introduced to the market. One system operates from a floppy disk which stores scanned information in its memory. The other system uses a memory chip to record scanned information. The memory vehicles are inserted into remote inking consoles and set inking levels. Fountain settings can be recorded for future reprints or lifting purposes.

In addition to closed loop feedback and color preset, the computer is beginning to play a role at the folding end of the press. When repetitive or similar jobs are run, the computer memory (via an on-board microprocessor) can store information and correspond with the press, allowing proper positioning of the folder and adjustments to the folding unit. Because this information is stored electronically, when going back to press with duplicate or similar press forms, the folding unit can be re-positioned according to the stored information. This auto-positioning decreases makeready time, because the folder is positioned in the proper configuration to insure a more accurate fold.

2. Ink Technology

There have been new developments in conventional gravure and web offset ink chemistry. Changes in the chemical structure and the application of inks have been made to address the need for higher quality. These changes have also helped lower consumption rates, thereby increasing mileage and reducing the use of energy.

The future of inks lies in customization. Inks are being custom-designed to suit specific presses and paper characteristics. Custom-designed ink should enable presses to run more efficiently. There are fewer press wash-ups because of reduced linting and controlled ink tack. A good example of this approach is web offset presses that print on uncoated stock. Softer inks have been developed with specific uncoated stocks in mind to reduce picking and piling problems. This problem has not been totally eliminated. However, it has been controlled so that it has become economical for press production.

3. Bindery

Traditionally, transporting the printed product from the pressroom to the bindery has been accomplished by using lift trucks. Today, computer-controlled trains, which travel a pre-set path following a wire embedded in the floor, move the printed product continuously from the pressroom to the bindery. With reduced manning and this new automation, in-process handling of the printed product is more efficient and most cost effective.

When a multi-page printed product is to be bound together, two basic binding styles are used: saddlewire and perfect (patent or square backed) binding. In saddlewire binding, signatures (a folded, printed piece) are dropped on a moving chain so that the signature opens and the fold rests on the chain. These signatures are then bound together by driving a stitch (staple) through the spine of the book. In perfect binding, signatures are laid one on top of the other on a moving conveyor. The signatures are glued together, and a cover is attached with the application of an additional adhesive.

Saddlewire and perfect binding have both benefited from the development of stream feeders and three-around gathering. In the past, signatures were placed into the bindery equipment by hand. Today, stream feeders allow a "stream" of signatures to be fed into the "packer box" on a bindery line, thereby reducing the number of people needed to load the packer boxes. This stream of signatures comes from the pressroom in the form of a "log" (a number of signatures bound into a bundle and ready for use in the bindery). The reduced manning can be equated to an increase in bindery efficiency.

The basic device that limits the speed of the bindery line is the gathering drum. The gathering-drum takes the signatures from the packer box and drops them on a moving chain (saddlewire binding) or conveyor (perfect binding). Typical gathering drums have only two sets of gathering grippers per drum. Because the drum can only rotate at a certain speed, the total output of the bindery line is limited by the speed of the drum. By increasing the size of the drum, three sets of gathering grippers can be used. This allows for a theoretical increase in speed of 33 percent for the bindery line, thereby reducing binding cost and increasing binding efficiencies.

In the bindery, the computer is being used to assist in the production of customized catalogs and magazines. When selective binding of catalogs is used, the computer selects specific signatures on the binding line that are demographically and psychographically targeted to a particular type of customer. Selective binding can be used on one binding line to allow multiple versions to be produced at the same time. This reduces binding costs, while facilitating the production of a greater number of customized versions than previously economically feasible. Maximization of postal discounts is also possible by running multiple versions in one ZIP code stream.

4. Mailing Labels

Paper labels were the first way of putting address information on a mailed piece. Labels were printed one at a time using a zinc or aluminum addressograph plate, which contained the address information. This process was both slow and inefficient. With the advent of the high-speed computer-driven printer, the ability to print four and five labels at a time reduced the time required to print the label and increased overall efficiency. Pressure-sensitive labels, which the customer could peel off and place on the order blank, allowed the direct marketer to code his lists and determine which lists gave him a better response, while at the same time reducing incorrect address information supplied by the customer. When using pressure-sensitive labels, a major drawback for this form of addressing is that labels must be affixed to the mailed piece, a factor which usually slows down the bindery line.

5. Ink Jet

The marriage of ink jet printing and computer technology has made ink jet addressing possible. Ink jet printing equipment uses a printing head which, under pressure, shoots tiny droplets of ink at very high speed into an electro-magnetic field. This field is controlled by a computer which directs the ink droplets into a pattern forming the characters that make up the address information. This addressing is usually done on the bindery line at normal bindery speeds.

The benefits of computer assisted ink jet addressing include the following:

- Simultaneous addressing of the covers and single or double order blanks
- Coding of order blanks to determine list origin
- Personalized messages on the cover and/or order blank
- Multiple type fonts (up to 20)
- Elimination of the loss of names due to label spoilage, thereby assuring virtually 100 percent mailing of every name on the mailing list tape

6. Wrapping and Enveloping

The purpose of wrapping or enveloping a product is to protect the product, while allowing for additional information to be included on the wrapping. With a flat wrapper, protective Kraft-type paper is wrapped around the product, a label affixed, and an optional message imprinted on the wrapper. Numerous magazines and some catalogs have been flat wrapped in this manner to avoid damage.

Phillipsburg-type inserters are machines that insert promotional literature, mailers, or catalogs into a paper envelope. The benefit in using this machine is that it puts all literature into one package or envelope. The major drawbacks are that the paper envelope does not allow the customer to see the product, and that the enveloping and inserting add extra costs.

Plastic enveloping or bagging was introduced to allow the customer to see the product through the envelope. This in-line process can also place a document on top of the product or insert into the product after the piece is bound. In addition, several different mail pieces to be mailed to the same location can be placed together in the same plastic envelope, thereby enhancing postal discounts.

7. Storage and Retrieval Systems

Automatic storage and retrieval systems were originally designed to handle steel products and manufactured parts. A computer system calls for the products stored in a coded rack matrix (on a skid or pallet) and uses an automated crane to remove the pallet from storage and take it to the shipping area. These automatic storage and retrieval systems assist in hitting mailing "windows" to the United States Postal System and help in the accurate scheduling of drop shipments to other shippers.

Distribution

1. USPS—Program and Incentive Development

The USPS has developed many programs over the years that have assisted the direct marketer in using the mail to distribute their catalogs or mail-advertising piece. These programs and incentives have essentially relieved the USPS from the responsibility of performing many mail-processing procedures, while shifting the responsibility to the mailer.

On January 1, 1967, the USPS required all bulk mailers to sort mail by ZIP Code. In 1978, three tier (carrier route, five digit, residual) sortation was offered to second class mailers. In 1979, carrier route discounts were offered to third class mailers, followed by a 5 digit discount in 1980. The presort program was designed to increase the accuracy of delivery and reduce delivery spans. These work sharing incentives have been offered as a way of generating interest in compliance, while offering a savings in postal rates to direct marketers.

Postal verification was instituted on July 1, 1982, by the USPS to insure compliance with regulations covering mail preparation. In February 1982, samples indicated that 95 percent of all industry bulk mail was incorrectly prepared. Average error rates per job were running in excess of 73 percent. As of January 1983, under full program sampling, 30 percent of all mail contained error in excess of 10 percent, with an average error rate per job of 13 percent. As the program continues, some mailers are reporting mailings with error rates below one percent.

Postal verification insures that mailers, who accurately prepare mail, obtain discounts for their customers and that mailers, who do not accurately prepare the mail, are penalized.

Future programs that the USPS has discussed implementing include:

- Palletized mail—mail is put on pallets, reducing handling by allowing mail to be machine processed, and, thereby, producing a cleaner delivered product.

- Intra-SCF zoned 3rd Class mail—(SCF is a sectional center where the USPS sorts mail to go to several smaller postal units within the SCF's jurisdiction). Third Class mail may be zoned, allowing direct marketers to have their product shipped to multiple entry points for increased postal savings.
- ZIP + 4—the addition of 4 digits to the existing ZIP Code allows the USPS to target mail delivery to neighborhood blocks, office buildings, and floors. Initially, ZIP + 4 will only apply to first class, with possible introduction to second, third and fourth class at a later date.

Conclusion

Technical development and refinement within the printing industry, augmented by the use of computers, has brought to the marketplace a greater degree of sophistication and increased productivity. Specifically, the adaptation of new technology has decreased manning, reduced waste, and increased overall efficiencies within all areas or print production.

Research and development continue at a rapid pace, and further technical innovation in the varied areas of print production will directly relate to the currently rapid developments in computer technology.

The 1970s and 1980s can be clearly described as a revolutionary period within the printing industry. This relatively short period has witnessed major breakthroughs in the application of digital technology to numerous areas within this sector.

An acceleration in research and technical development is anticipated in the late 1980s and well into the 1990s, and the future promises even greater innovation and further evolution within this industry.

10

Creativity — Then & Now*

by Jim Kobs
Kobs & Brady Advertising, Inc.
Author: Profitable Direct Marketing

Some years ago, this writer did a series of speeches for the Direct Marketing Educational Foundation's Collegiate Institutes on the subject of creativity. The concern was that the young people in the audience wouldn't consider a direct marketing career, because they had this image of mail-order advertising being an endless collection of old-fashioned, unattractive, hard-sell ads.

The purpose was to show them things had changed, but, at the same time, to demonstrate that those old-time ads were a great heritage for today's direct-response creative people—and we could all learn a lot by studying them.

So, a dozen pairs of old-time ads and mailings were put together, carefully matched with their modern counterparts. A 1915 ad for a gardening catalog versus a current one. Early book and record club ads versus more recent ads. A page from an old Sears catalog compared with one of today's fashionable catalogs. A hand-personalized letter versus one personalized by computer. Even a current correspondence school ad that had a headline amazingly close to one that was successful 60 years ago.

While the look of today's direct-response advertising has changed dramatically, many of the principles have not. So let's take a look at direct marketing creativity, from old-time ads to today's similarities and differences—and what you should know about the importance of the offer . . . the variety of available formats . . . specialized types of creative . . . and testing.

Classic Direct-Response Ads

Just thinking about old-time ads stirs up some fond memories. As a kid, you could hardly pick up a comic book without seeing a colorful ad for muscles-by-mail from Charles Atlas. In comic-strip form you'd read about a puny kid who lost his best girl to some bully on the beach, but with the help of the Atlas course, he'd return—now muscle-bound—and win her back with one blow. The payoff was a photo of Charles Atlas himself, staring right at you, with the caption: "This 97-lb. weakling became the world's most perfectly developed man." And hundreds of thousands of young men responded.

But mail order ads go back much further than this, well into the 19th century. It's been roughly a hundred years since astute mail-order advertisers started "keying" their ads. While inconspicuous to the reader, they would make minor variations in the firm's address—or use special box numbers, post office drawers, or departments—to track the results of different ads or publications.

Shortly before the turn of the century, an adman named Ralph Tilton originated something that seems to have been with us forever: the coupon—a device in the corner of an ad, set off by a dotted line border, to remind the reader to include his name and address. Today, it's become a visual signal to the reader that this ad is asking him or her to do something right now.

As mail order became more popular, other techniques were developed to measure advertising effectiveness: for example, "split runs," originated in the Twenties, to allow advertisers to test a pair of ads against each other in the same edition of a magazine or newspaper—thus taking away the timing variable, that existed previously when an advertiser was forced to run one ad the first month and another the next.

The 100 Greatest Advertisements. Perhaps the best way to gauge the impact that mail order had on early advertising is by looking at Julian Watkins' well-known book, *The 100 Greatest Advertisements*. The ads were chosen with the help of many of the country's leading advertising executives, and the book was first published in 1949.

An even dozen were direct-response ads. And another half-dozen were package goods ads that had a direct-response offer of some type, such as a product sample. So, a total of 18 of the 100 great ads would be classified as direct marketing today—surely, a much larger percentage than could be expected considering the limited volume of direct response advertising being done at the time.

The chosen mail-order ads include many classics. Such as John Caples' often-imitated "They Laughed When I Sat Down At the Piano." It's a typical long-copy ad, containing over 1,000 words—all carefully crafted into sentences and paragraphs that tell a triumphant story of a young man who learned to play without a teacher. And Caples himself was a young man when he wrote it—a 25-year-old junior writer. (See Exhibit 10-1)

A little-known sidelight is that the advertiser in this case was U.S. School of Music, a correspondence school that continued to sell music lessons by mail for over 50 years. A number of other advertisers, who had their direct-response ads chosen for this select group, are still around —Harry and David's fruit-by-mail ad from *Fortune* Magazine; an offer of classic books from Doubleday; and, the promise of making "real money" from International Correspondence Schools.

Even the Sears catalog is included. Because, as Julian Watkins said: "No book on great copy would be complete

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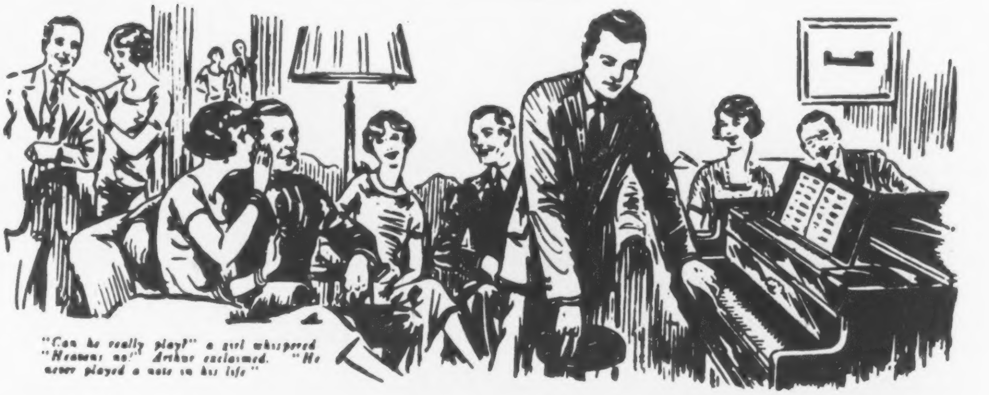
Exhibit 10-1



"Can he really play?" a girl whispered "Heavens no!" Arthur exclaimed. "He never played a note in his life."

They Laughed When I Sat Down At the Piano But When I Started to Play!—

ARTHUR had just played "The Rosary." The room rang with applause. I decided that this would be a dramatic moment for me to make my debut. To the amazement of all my friends, I strode confidently over to the piano and sat down.

"Jack is up to his old tricks," somebody chuckled. The crowd laughed. They were all certain that I couldn't play a single note.

"Can he really play?" I heard a girl whisper to Arthur.

"Heavens, no!" Arthur exclaimed. "He never played a note in all his life. . . But just you watch him. This is going to be good."

I decided to make the most of the situation. With mock dignity I drew out a silk handkerchief and lightly dusted off the piano keys. Then I rose and gave the revolving piano stool a quarter of a turn, just as I had seen an imitator of Paderewski do in a vaudeville sketch.

"What do you think of his execution?" called a voice from the rear.

"We're in favor of it!" came back the answer, and the crowd rocked with laughter.

Then I Started to Play

Instantly a tense silence fell on the guests. The laughter died on their lips as if by magic. I played through the first few bars of Beethoven's immortal Moonlight Sonata. I heard gasps of amazement. My friends sat breathless — spellbound!

I played on and as I played I forgot the people around me. I forgot the hour, the place, the breathless listeners. The little world I lived in seemed to fade — seemed to grow dim—unreal. Only the music was real. Only the music and visions it brought me. Visions as beautiful and as changing as the wind blows clouds and drifting moonlight that long ago inspired the master composer. It seemed as if the master musician himself were speaking to me—speaking through the medium of music—not in words but in chords. Not in sentences but in exquisite melodies!

A Complete Triumph!

As the last notes of the Moonlight Sonata died away, the room resounded with a sudden roar of applause. I found myself surrounded by excited faces. How my friends carried on! Men shook my hand — wildly congratulated me — pounded me on the back in their enthusiasm! Everybody was exclaiming with delight—plying me with rapid questions. . . . "Jack! Why didn't you tell us you could play like that?" . . . "Where did you learn?"—"How long have you studied?"—"Who was your teacher?"

"I have never even *seen* my teacher," I replied. "And just a short while ago I couldn't play a note."

"Quit your kidding," laughed Arthur, himself an accomplished pianist. "You've been studying for years. I can tell."

"I have been studying only a short while," I insisted. "I decided to keep it a secret so that I could surprise all you folks."

Then I told them the whole story.

"Have you ever heard of the U. S. School of Music?" I asked.

A few of my friends nodded. "That's a correspondence school, isn't it?" they exclaimed.

"Exactly," I replied. "They have a new simplified method that can teach you to play any instrument by mail in just a few months."

How I Learned to Play Without a Teacher

And then I explained how for years I had longed to play the piano.

"A few months ago," I continued, "I saw an interesting ad for the U. S. School of Music—a new method of learning to play which only cost a few cents a day! The ad told how a woman had mastered the piano in her spare time at home—and without a *teacher!* Best of all, the wonderful new method she used, required no laborious scales — no heartless exercises — no tiresome practising. It sounded so convincing that I filled out the coupon requesting the Free Demonstration Lesson.

"The free book arrived promptly and I started in that very night to study the Demonstration Lesson. I was amazed to see how easy it was to play this new way. Then I sent for the course.

"When the course arrived I found it was just as the ad said — as easy as A.B.C.! And, as the lessons continued they got easier and easier. Before I knew it I was playing all the pieces I liked best. Nothing stopped me. I could play ballads or classical numbers or jazz, all with equal ease! And I never did have any special talent for music!"

• • • •

Play Any Instrument

You too, can now *teach yourself* to be an accomplished musician—right at home—in half the usual time. You can't go wrong with this simple new method which has already shown 350,000 people how to play their favorite instruments. Forget that old-fashioned idea that you need special "talent." Just read the list of instruments in the panel, decide which one you want to play and the U. S. School will do the rest. And bear in mind no matter which instrument you choose, the cost in each case will be the same—just a few cents a day. No matter whether you are a mere beginner or already a good performer, you will be interested in learning about this new and wonderful method.

Send for Our Free Booklet and Demonstration Lesson

Thousands of successful students never dreamed they possessed musical ability until it was revealed to them by a remarkable "Musical Ability Test" which we send entirely without cost with our interesting free booklet.

If you are in earnest about wanting to play your favorite instrument—if you really want to gain happiness and increase your popularity—send at once for the free booklet and Demonstration Lesson. No cost — no obligation. Right now we are making a Special offer for a limited number of new students. Sign and send the convenient coupon now — before it's too late to gain the benefits of this offer. Instruments supplied when needed, cash or credit. **U. S. School of Music, 1031 Brunswick Bldg., New York City.**

Pick Your Instrument

Piano
Organ
Violin
Drums and Traps
Banjo
Tenor Banjo
Mandolin
Clarinet
Flute
Saxophone
'Cello
Harmony and Composition
Sight Singing
Ukulele
Guitar
Hawaiian Steel Guitar
Harp
Cornet
Piccolo
Trombone
Voice and Speech Culture
Automatic Finger Control
Piano Accordion

U. S. School of Music,
1031 Brunswick Bldg., New York City.

Please send me your free book, "Music Lessons in Your Own Home", with introduction by Dr. Frank Crane, Demonstration Lesson and particulars of your Special Offer. I am interested in the following course:

. . . .

Have you above instrument? . . . .

Name . . . .
(Please write plainly)

Address . . . .

City . . . . State . . . .

BEST AVAILABLE COPY

without this most famous of all salesmen in print! More than a thousand pages of the strongest selling copy ever written—any page, any item, any year. Study the style! Read it often."

Other than the Sears catalog, direct mail is neglected in Watkins' book. In *Profitable Direct Marketing*, included are a number of classic mailings: Such as the Fingerhut seat cover mailing that literally built the business, and the Haband package offering men's ties, that paved the way for a $50-million-plus mail order clothing store. Like the classic direct-response ads, these mailings are both worthy of study.

Today's Similarities and Differences

Before we shed a nostalgic tear for those old-time ads and mailings, let's examine the legacy they've left us—a lot of basic principles and techniques that are still widely used every day in the direct-marketing field.

The first is long copy. Direct-response ads and mailings tend to be copy-heavy. It usually takes a lot of copy to get someone to order something, sight-unseen, by mail. One of the principles old-time mail order practitioners learned was the more you tell, the more you sell.

In any discussion of copy length, one of the analogies that can be used is that of selling in print versus a live salesman. If you only give a salesperson five minutes for his presentation, he can only explain a few benefits to overcome your natural sales resistance. But if you give him 15 or 20 minutes, he should be able to explain three or four times as many benefits. The same is true for long copy versus short copy. People *will* read long copy, if it is well-written. You hold their interest by talking about the reader's needs and the benefits you offer.

Speaking of needs, that's another thing that hasn't changed. Basic human desires don't change much. As Julian Watkins put it in his book: "Like ole man river, man's desire to get ahead, to earn more money, to be admired, to get the gal, and to keep in the running, is as changeless as the orbit of the earth."

Another similarity with old-time ads and mailings is the need to make it easy to respond. In fact, it's a basic tenet of our business that the easier you make it for someone to take the action you want, the more likely he or she will do so. That's why the coupon was invented. That's why a rectangular coupon in the corner of an ad works better—it's easier to clip out than one stuck in the middle of an ad or in the shape or some exotic object. Only when an art director hasn't learned this lesson, do you see coupons in the shape of a sailboat or banana!

But there are some important differences today, too. While the copywriter has long been the key member of the direct-response creative team, art directors are rapidly gaining in importance. Graphics have been upgraded dramatically, and we see a growing trend toward more four-color printing.

A lot of this can be attributed to the large, Blue Chip companies that have gotten involved in direct marketing in a big way over the last 10 to 15 years. These are firms that have traditionally spent a lot of money on art and photography for their general advertising. In fact, they have graphic-standards manuals to make sure all of their advertising and communication efforts nurture a carefully-chosen image. Then, the decision is made to enter direct marketing—probably to set up a separate profit center. However, even if this new profit center is very successful, it will represent only a small portion of their total sales and profits. Therefore, it is only natural that they don't want their direct-response ads or mailings to spoil that carefully-built image.

As these Blue-Chippers spent more on graphics to *maintain* their image, two other things happened. First, they helped upgrade the whole image of direct marketing with the consumer and business-person. Second, the long-time mail-order advertisers saw what was happening—that consumers were responding to better-looking ads and mailings, as a result, their own graphics have, also, been upgraded.

Still, another difference in today's direct marketing is that the copywriter's role has become more demanding. To be fair, it was never easy. As Julian Watkins pointed out years ago, "Advertising men acknowledge the writing of good mail-order advertising copy as one of the highest forms of the art . . . . and they will quickly admit that more well-rounded, seasoned and successful writers of advertising have come from the ranks of mail-order copywriters than from any other field."

The demands on the copywriter have grown as the variety of products and services being promoted via direct marketing has spiralled. Today's direct response writer—particularly one working for an ad agency or a client with a diversity of products—must be able to vary his copy style and assume many different roles, much as a good actor changes his voice and mannerisms to play different roles. As one of the speakers at a recent Chicago Direct Marketing Day stated:

> *Direct-response advertising is a very* personal *advertising technique, the success of which is dependent upon the contact between your chosen market and your chosen writer. For the direct-response writer is your salesman. He or she must establish contact with your market and win their trust. He or she must assume a personality compatible with that audience . . . . the writer must so totally infuse it into every line of copy that the trusting public will accept him or her as one of their own and turn over their hard-earned cash for goods and services they have never personally inspected.*

The Importance of the Offer

One thing that sets apart a direct-response ad or mailing from general advertising is that the former always includes an offer. Creative people in general advertising don't understand the concept of the offer—or how to structure a good one.

Numerous examples of this have been seen over the years. Recently, one was an ad for a well-known manufacturer of office copiers. Above the coupon was some vague action copy that instructed the reader to mail it today. All the coupon, itself, contained was the address you were supposed to send it to and room to fill in your own name and address. You had no idea if, by sending the coupon, you were requesting more information, a sales call, or ordering the copier. There was no offer! And probably little or no response. Would you fill out and mail a coupon if you didn't know for what you were obligating yourself?

The offer is one of the simplest and most dramatic ways to improve results. If the average creative person spent as much time thinking about, refining, and fine-tuning his offer as he does in editing and polishing a piece of direct-response copy, his results would be a lot better. Because the right offer can sell almost anything. It can mean the difference between the success and failure of a promotion. It can make a successful promotion dramatically *more* successful! Rather simple changes in offers have improved results on the same product or service by 25%, 50% and 100%!

But let's start with the basics. What is the offer? It's simply your proposition to the prospect or customer—what you will give him in return for taking the action your mailing or ad requests him to take.

What does it include? The product or service . . . . the price and payment terms under which the customer can get it . . . any incentives to be thrown in (like a free gift) . . . and any specific conditions or strings attached to the offer. Sometimes, the offer includes free literature or booklets as a first step toward getting the actual product or service.

1. Basic Offer Requirements

Assuming you are selling a product or service by mail, the basic offer requirements to consider are pricing, Free-Trial or Money-Back Guarantee, and payment options. It usually makes sense to also include a tangible incentive to "sweeten" the offer.

Pricing. The starting point for any product or service being sold by mail is the right price. Most direct marketers require at least a three-time product markup. For example, if you're selling a home appliance for $29.95, your product cost should be somewhere around $10.00. Publishers usually work on a greater markup. Catalog firms, which spread out their promotion costs over a large number of products, can often get by with less than a three-time markup.

Free-Trial or Money-Back Guarantee. These are two basic offers that have become real standbys. Both are designed to relieve the risk of ordering a product by mail, sight unseen.

The easiest way to spot a Free-Trial offer is if the advertiser is willing to let the consumer try *his* product before he gets the *consumer's money*. Most trial periods are 10 to 15 days, but the trial period should fit the particular product or service being offered.

Naturally, a trial offer will involve some returned goods—people who decide for one reason or another *not* to keep the merchandise. This will generally average 10 to 15 percent of those who accept the offer. *But a trial offer will normally produce about twice as many orders as a Money-Back Guarantee!* So, even with the added cost of shipping and processing the returned goods, the Free-Trial offer should pay out better.

If for some good reason you can't use a Free-Trial offer, the Money-Back Guarantee is the next best thing. The main difference is that you are asking the customer to pay part or all of the purchase price *before* you let him try your product.

Payment Options. The most common ones are Cash-with-Order, Bill-Me-Later, Installment Terms, and Charge-Card Privileges. These will not be discussed in detail, but it might help to remember that Cash-with-Order is the basic payment option used with a Money-Back Guarantee, while Bill-Me-Later is the basic one used with Free-Trial offers. Charge-Card Privileges are used much more widely than offering your own Installment Terms, especially with catalogs and 800-number phone ordering. Even though you have to pay a small percentage of sales to the credit card companies, they can virtually eliminate the bad debts you might experience with a Bill-Me-Later offer or your own Installment Terms.

A Tangible Incentive. In addition to an attractive price, Free-Trial or Money-Back Guarantee, and one or more convenient payment options, it usually helps to add an extra incentive. Something tangible that will melt away human inertia and get people into action now.

The more attractive you can afford to make your offer, the better your response will be. So your goal is to come up with the most attractive offer you can afford—and, in so doing, to increase response enough that you will actually wind up with a lower cost-per-order or cost-per-inquiry than without the extra incentive.

2. Most Popular Offer Categories

When you sit down to make a list of direct-response offers and their variations, it's amazing how many you can come up with. In *Profitable Direct Marketing*, you will find "99 Proven Direct Response Offers"—including a complete description of all these tested and successful propositions. This checklist is included here as a handy reference. (See Exhibit 10-2 on page 166.) The main categories are:

Free Gift Offers. Some of the most popular offers include: a gift just for inquiring or requesting more information; a gift for agreeing to *try* the product (which the customer is usually allowed to keep even if he sends the merchandise back); a gift for *buying* your product or service; or a gift related to the amount of the customer's order. Others in this category include multiple free gifts, mystery gifts, and *your choice* of free gifts.

Other Free Offers. Most offers that fall into this category are designed for lead-getting situations—especially in the business market, where the usual objective is to get an inquiry for a salesperson to follow up. The more generous types of lead-getting offers include free gifts, free information, a free catalog, or a free booklet. Other free offers that tend to produce more qualified inquiries include a free survey, free estimate, free demonstration, or just a sales call.

Discount Offers. Some of the most popular types include a cash discount, a quantity or volume discount, and an early bird discount. One widely used for direct response is the short-term introductory offer, such as "Try 10 weeks of the *Wall Street Journal* for only $9.45." Technically speaking, a refund certificate is also a discount offer—sort of a delayed discount.

Sale Offers. This is the "first cousin" to a discount offer. For a sale is really like a discount for a specified period of time. There are umpteen different names used

Exhibit 10-2

99 PROVEN DIRECT RESPONSE OFFERS*

Basic Offers

1. Right Price
2. Free Trial
3. Money-Back Guarantee
4. Cash with Order
5. Bill Me Later
6. Installment Terms
7. Charge Card Privileges
8. C.O.D.

Free Gift Offers

9. Free Gift for an Inquiry
10. Free Gift for a Trial Order
11. Free Gift for Buying
12. Multiple Free Gifts with a Single Order
13. Your Choice of Free Gifts
14. Free Gifts Based on Size of Order
15. Two-Step Gift Offer
16. Continuing Incentive Gifts
17. Mystery Gift Offer

Other Free Offers

18. Free Information
19. Free Catalog
20. Free Booklet
21. Free Fact Kit
22. Send Me A Salesman
23. Free Demonstration
24. Free "Survey of Your Needs"
25. Free Cost Estimate
26. Free Dinner
27. Free Film Offer
28. Free House Organ Subscription
29. Free Talent Test
30. Gift Shipment Service

Discount Offers

31. Cash Discount
32. Short-Term Introductory Offer
33. Refund Certificate
34. Introductory Order Discount
35. Trade Discount
36. Early Bird Discount
37. Quantity Discount
38. Sliding Scale Discount
39. Selected Discounts

Sale Offers

40. Seasonal Sales
41. Reason-Why Sales
42. Price Increase Notice
43. Auction-By-Mail

Sample Orders

44. Free Sample
45. Nominal Charge Samples
46. Sample Offer with Tentative Commitment
47. Quantity Sample Offer
48. Free Sample Lesson

Time Limit Offers

49. Limited Time Offers
50. Enrollment Periods
51. Pre-Publication Offer
52. Charter Membership (or Subscription) Offer
53. Limited Edition Offer

Guarantee Offers

54. Extended Guarantee
55. Double-Your-Money-Back Guarantee
56. Guaranteed Buy-Back Agreement
57. Guaranteed Acceptance Offer

Build-Up-The-Sale Offers

58. Multi-Product Offers
59. Piggyback Offers
60. The Deluxe Offer
61. Good-Better-Best Offer
62. Add-On Offer
63. Write-Your-Own-Ticket Offer
64. Bounce-Back Offer
65. Increase and Extension Offers

Sweepstakes Offers

66. Drawing Type Sweepstakes
67. Lucky Number Sweepstakes
68. "Everybody Wins' Sweepstakes
69. Involvement Sweepstakes
70. Talent Contests

Club & Continuity Offers

71. Positive Option
72. Negative Option
73. Automatic Shipments
74. Continuity Load-Up Offer
75. Front-End Load-Ups
76. Open-Ended Commitment
77. "No Strings Attached" Commitment
78. Lifetime Membership Fee
79. Annual Membership Fee

Specialized Offers

80. The Philanthropic Privilege
81. Blank Check Offer
82. Executive Preview Charge
83. Yes/No Offers
84. Self-Qualification Offer
85. Exclusive Rights for Your Trading Area
86. The Super Dramatic Offer
87. Trade-In Offer
88. Third Party Referral Offer
89. Member-Get-A-Member Offer
90. Name-Getter Offers
91. Purchase-With-Purchase
92. Delayed Billing Offer
93. Reduced Down Payment
94. Stripped-Down Products
95. Secret Bonus Gift
96. Rush Shipping Service
97. The Competitive Offer
98. The Nominal Reimbursement Offer
99. Establish-the-Value Offer

Source: *Profitable Direct Marketing* by Jim Kobs, Kobs & Brady, Inc.

for sales, but most of them fall into the category of a seasonal sale (such as Spring Clearance) or a reason-why sale (such as Inventory Reduction).

Sample Offers. A sample offer is designed to do just one thing: get your product in the prospect's hands. For a good sample of a good product will sell itself better than all the fancy words and pictures that can be used to describe it. Variations include a free sample, nominal charge samples, and a sample offer tied to a tentative commitment.

Time Limit Offers. A number that have become favorites for certain products or services include an enrollment period, pre-publication offer, charter offer, and limited editions. Because the offer has a time limit, they all tend to force a quick decision and avoid procrastination.

Guarantee Offers. In addition to the basic money-back guarantee reviewed earlier, there are extended guarantees (such as a magazine that offers to refund the unexpired portion of a subscription) and specialized guarantees (such as a buy-back agreement for collectibles).

Build-Up-the-Sale Offers. Most direct marketers are interested in increasing the size of their average order. And there are a number of special offers designed to accomplish just that. An example is the deluxe offer, often used by book publishers. Or the multi-product offer—two or more products featured in the same ad or mailing.

Sweepstakes Offers. Types include pre-selected numbers, drawings, everybody wins, and involvement sweepstakes. And it's not unusual to see a sweepstakes improve results by 50 percent or more. The economics of an attractive prize structure usually limit them to large mailers with a big universe.

Club & Continuity Offers. These offers are favorites with the record clubs, book clubs, and other publishers. While there are many variations, the three most popular ones are positive option, negative option, and automatic shipments.

In addition to the specific offer categories discussed above, the checklist includes a number of specialized offers that tend to fit only certain types of direct marketing operations.

Format Possibilities

While there have been hardly any truly new offers developed in recent years, the creative person must contend with a steady stream of new format possibilities. Particularly in direct mail. By comparison, there are fewer options in space and broadcast formats—but still enough to provide plenty of flexibility in the size, shape, length, or configuration of the vehicle that conveys your message.

In print advertising, for example, you can choose a small space ad, fractional page, full-page, or a double spread. Use black-and-white, two-color, or four-color. Use an on-page coupon, bind-in reply card, or a magazine insert the size of a full-page. Newspapers also accept advertiser inserts, with virtually no limit on the size or number of pages.

Broadcast offers similar possibilities. Common TV spot lengths used for direct response include 30-seconds, one-minute, 90-seconds, and two-minutes. As cable TV continues to grow, you can expect to see more use of infomercials. As the name implies, they combine informative material with selling messages, often running for 15 minutes or more.

1. Standard Mailing Formats

The most popular physical formats for direct mail fall into these categories:

- **Number 10 Package**—usually a letter, circular, and order form mailed in a number 10 envelope, the size used for standard business correspondence. A reply envelope is often included.
- **6 × 9 Package**—like a number 10, except mailed in an envelope that measures 6 × 9 inches.
- **9 × 12 Package**—like the above, except mailed in an oversized envelope that measures 9 × 12 inches.
- **Self-mailer**—any piece mailed by itself, without an outside mailing envelope.
- **Catalog**—a multi-page format designed to present a variety of merchandise. Usually sent as a self-mailer, but can be mailed in an envelope.

As noted, the number 10 package, the 6 × 9, and 9 × 12 usually have similar components. Each component—the envelope, letter, circular and order form—works together to do a complete selling job.

2. Specialized Mailing Formats

There are literally hundreds of different variations available. Among the most widely-used are:

- **Enclosures**—like gift slips to play up an incentive or a publisher's letter to add a last-ditch selling idea.
- **Computer-Personalized Formats**—the computer letter has now been with us for over 15 years. It's evolved into packages with multiple personalization, from the letter to order forms, brochures, gift slips, and other mailing components.
- **Invitations and Telegrams**—both have been around for decades but have stood the test of time and are still used widely.
- **Catalog Overwraps**—an outer wrap that goes around a catalog's cover, normally used for a special offer, letter message, or institutional copy.
- **Involvement Devices**—gummed stamps and punch-out tokens continue to see wide usage . . . along with rub-off hidden messages, yes/no boxes, product samples or swatches, peel-off labels, and wallet-size temporary membership cards.
- **Blow-In Cards**—these are the loose cards that fall out of magazines as you turn the pages. Publishers have long used them to sell subscriptions to their own magazine. A recent change in postal regulations has allowed them to be used in catalogs for the first time. A few large catalog firms are already testing them, to feature new or hot products. They have the potential to become, like catalog overwraps, a productive addition to the standard catalog format.

Exhibit 10-3

PART A
COSTS OF SAMPLE DIRECT MAIL PACKAGE #1
1982-1983

Components	Costs Per 1000 (50M Quantity)		Costs Per 1000 (250M Quantity)	
	1982	1983	1982	1983
1. **Letter**—4 pages 2 color 8½ x 11 (11 x 17) (60 lb. white)	$ 36.10	$ 37.00*	$ 25.88	$ 26.53*
2. **Brochure**—4 pages 4 color 8½ x 11 (11 x 17) (70 lb. text)	83.90	85.00*	51.80	53.10*
3. **Order Card**—2 color 5 x 7 (65 lb. cover index)	20.80	21.32*	14.00	14.35*
4. **Reply Envelope**—1 color 5½ x 7¼ (24 lb. white)	21.20	21.73*	15.56	15.95*
5. **Outside Envelope**—1 color 9 x 6 (24 lb. white)	27.93	28.63*	20.44	20.95*
6. **Lettershop Charges**—Per 1000	23.54	24.13*	19.73	20.22*
7. **House List**—50% of mailing Running costs per M	2.21	2.21	2.24	2.24
8. **List Rental**—50% of mailing Per 1000 (Selection costs included)	25.20	25.20	25.38	25.38
9. **Merge/Purge**—per M	6.11	6.11	5.90	5.90
10. **Postage**—(Fixed)	109.00	110.00	109.00	110.00
11. **TOTAL PER M**	$355.99	$361.33	$289.93	$294.62
% CHANGE	1.5%		1.6%	

Source: DMA, 1982 Survey
*Bureau of Labor Statistics Estimate, 1983.

Exhibit 10-4

PART B
COSTS OF SAMPLE DIRECT MAIL PACKAGE #2
(Smaller in Size and Less Elaborate than Package #1)
1982-1983

Components	Costs Per 1000 (50M Quantity)		Costs Per 1000 (250M Quantity)	
	1982	1983	1982	1983
1. **Letter**—4 pages/2 color 8½ x 11 (11 x 17) (60 lb. white)	$ 35.46	$ 36.35*	$ 25.98	$ 26.63*
2. **Brochure**—4 pages/2 color 7 x 8¼ (folded to 4 panels) (70 lb. text)	44.45	45.56*	28.32	29.03*
3. **Order Card**—2 color 8½ x 3½ (65 lb. cover index)	19.16	19.64*	12.34	12.65*
4. **Reply Envelope**—1 color 8¾ x 4 (24 lb. white)	16.52	16.93*	12.56	12.87*
5. **Outside Envelope**—1 color 9½ x 4¼ (24 lb. white)	19.93	20.43*	15.42	15.81*
6. **Lettershop Charges**—Per 1000	20.47	20.98*	18.46	18.92*
7. **House List**—50% of mailing Running costs per M	2.29	2.29	2.31	2.31
8. **List Rental**—50% of mailing Per 1000 (Selection costs included)	25.09	25.09	25.54	25.54
9. **Merge/Purge**—per M	7.08	7.08	6.22	6.22
10. **Postage**—(Fixed)	109.00	110.00	109.00	110.00
11. **TOTAL PER M**	$299.45	$304.35	$256.15	$259.98
% CHANGE	1.6%		1.5%	

Source: DMA, 1982 Survey
*Bureau of Labor Statistics Estimate, 1983.

Specialized Types of Creative

The purpose of this section is to acquaint you with some of the specialized types of creative—and, hopefully, give you some tips that will be helpful in judging or approving creative work. Regardless of the media used, the creative aspect of direct marketing is not primarily intended to inform, entertain, or build brand awareness. The objective is to sell—to get an order or have the reader/viewer take some other specific action.

That means you must have a well-thought-out creative strategy. One that is ideally supported by research or what you know about your market. There should also be a single "big idea" you want to get across in each ad, mailing, or commercial—even though it may take a thousand or more words or copy and dozens of illustrations to fully develop your selling story.

1. Direct Mail Packages and Sales Letters

All the elements of a standard mailing package have their own job to do. The envelope should get attention, whet the reader's appetite, and make him open the package to see what's inside. The brochure's main job is to illustrate the product or service, explain its benefits thoroughly, and answer any key questions that might stand in the way of a sale. The order form has the job of providing the agreement copy that serves as a contract . . . along with summarizing the offer benefits and motivating the reader to action.

Even for the most experienced writer, creative director, or client, the toughest job is developing a strong sales letter, particularly for a writer who comes out of the general advertising field. A general advertising writer is just not used to writing in the first person, me-to-you style that a sales letter requires. Fortunately, there are some good letter-writing formulas that can be used as a guide. However, it still takes lots of practice to communicate in a personal style that's readable, natural, and believable.

All the testing and experimentation that's been done shows that the letter lead—the headline and/or opening paragraphs—are critical to success. Many years ago when the chapter on "Creating Direct Mail Packages"* was written for Bob Stone's book, it covered six of the most common types of leads used in sales letters at the time.

Recently, some informal research was done to see if the same types of letter leads were still being used. One hundred sales letters were selected at random. Not a scientific sample to be sure, but something that could be useful as a guide.

Here's how the letter openings broke down:

• Offer leads	42%
• Flattery and Invitation leads	14%
• Narrative leads	8%
• Benefit leads	8%
• Question leads	8%
• Timeliness leads	7%
• Involvement leads	6%
• Miscellaneous	7%

Surprisingly, only two of the original types of letter leads were still among the top seven. The most popular category—Offer Leads—had shown the strongest growth by far.

2. Catalog Copy

Many writers over the years have learned their craft by writing catalog copy. It's a specialty area that's still considered good training for other creative jobs. Unfortunately, there is a scarcity of articles written on the subject.

The advice that agencies frequently give clients about catalog copy was recently summarized by an account group supervisor from a prominent agency:

Basically, people tend to browse through catalogs. Therefore, headlines have to stop the reader and draw attention to the specific catalog item. They should differentiate similar products and give the reader a reason to read about them.

The speaker also noted that not every successful catalog employs headlines that fit these criteria. Some do not use formal headlines at all, or simply use page headlines and begin each item with a product name. It's been found that each catalog develops a personality of its own. The headlines, graphics, and body copy should be in keeping with that personality.

Speaking of body copy, its job is to cover the "nuts and bolts" details—things like size, weight, materials, color choices, and other specifications. *Good* catalog copy goes beyond that and adds a skillful mix of selling copy, even if it's only another sentence or two.

3. Space Ads

Many creative principles apply equally well for direct mail and space advertising. The main difference is you usually have much less room to tell your story in an ad. Even a full-page ad or double spread has a lot fewer words than the letter/brochure/order form in a typical mailing. Therefore, it's critical to develop the right copy strategy and quickly capture the reader's attention. The letter job is shared by the ad graphics and headline.

The headline is even more important than in catalog copy. Surprisingly, the techniques for writing good headlines really don't differ much whether it's a direct response ad or a general ad. David Ogilvy once wrote:

> *I earn my living as a copywriter in an advertising agency. It is a matter of life and death for me to get people to read my advertisements. I have discovered that more than half the battle is to write headlines which grab people's attention and force them to read the copy. I learned how to do this by studying editorial headlines in Reader's Digest.*

How you learn it, or do it, isn't important. Some textbooks say headlines should carry a reader benefit. Some very successful space ads, like the one shown here for the Classics Club, violate that rule (see Exhibit 10-5). But, like most successful response ads, it contains long copy to tell a complete enough selling story to get the order.

4. Broadcast Copy

With direct mail, catalogs, and space ads, the art director has the task of blending illustrations and photographs . . .

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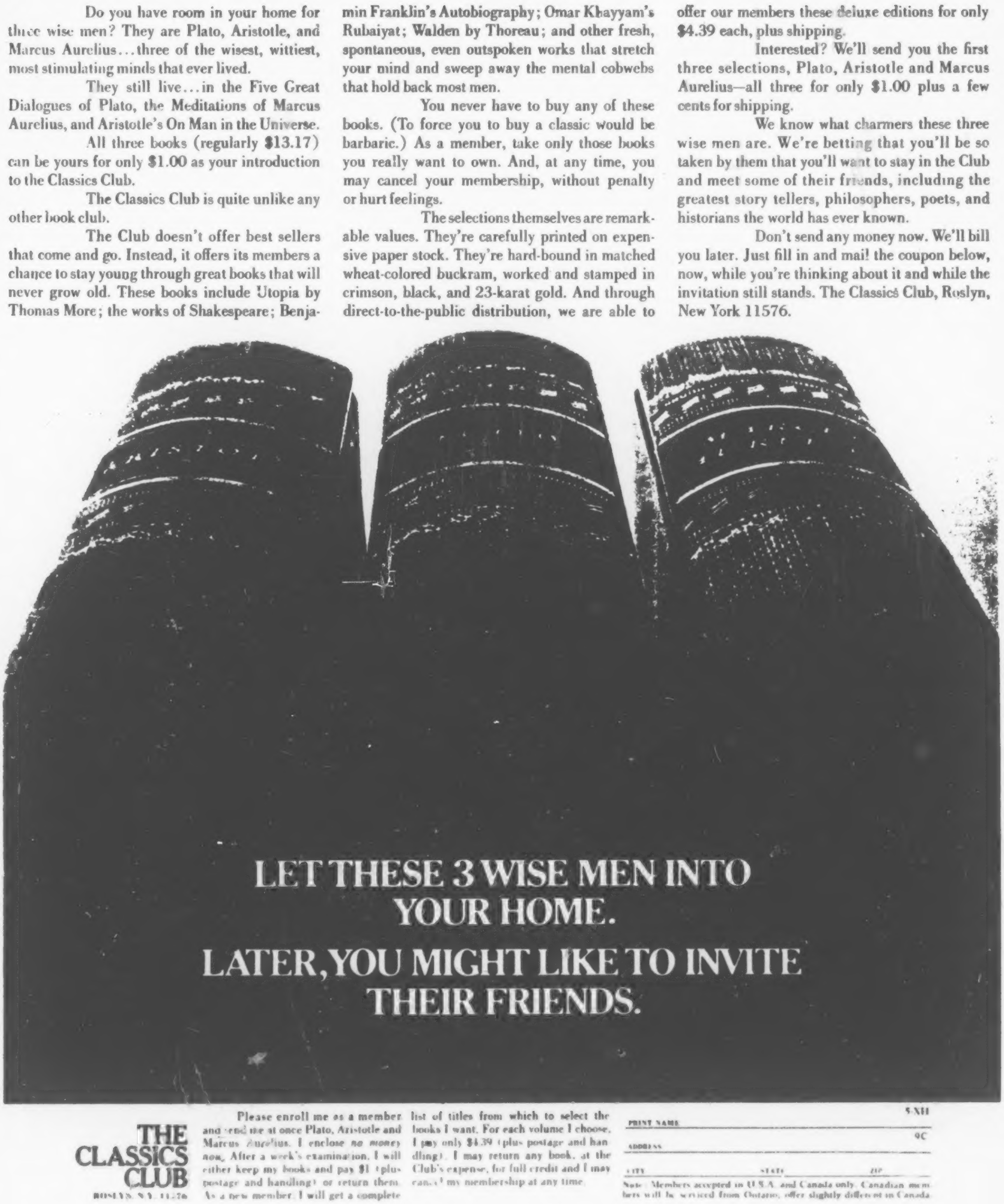
*Authored by Jim Kobs, Kobs & Brady Advertising, Inc.

Exhibit 10-5



Do you have room in your home for three wise men? They are Plato, Aristotle, and Marcus Aurelius... three of the wisest, wittiest, most stimulating minds that ever lived.

They still live... in the Five Great Dialogues of Plato, the Meditations of Marcus Aurelius, and Aristotle's On Man in the Universe.

All three books (regularly $13.17) can be yours for only $1.00 as your introduction to the Classics Club.

The Classics Club is quite unlike any other book club.

The Club doesn't offer best sellers that come and go. Instead, it offers its members a chance to stay young through great books that will never grow old. These books include Utopia by Thomas More; the works of Shakespeare; Benjamin Franklin's Autobiography; Omar Khayyam's Rubaiyat; Walden by Thoreau; and other fresh, spontaneous, even outspoken works that stretch your mind and sweep away the mental cobwebs that hold back most men.

You never have to buy any of these books. (To force you to buy a classic would be barbaric.) As a member, take only those books you really want to own. And, at any time, you may cancel your membership, without penalty or hurt feelings.

The selections themselves are remarkable values. They're carefully printed on expensive paper stock. They're hard-bound in matched wheat-colored buckram, worked and stamped in crimson, black, and 23-karat gold. And through direct-to-the-public distribution, we are able to offer our members these deluxe editions for only $4.39 each, plus shipping.

Interested? We'll send you the first three selections, Plato, Aristotle and Marcus Aurelius—all three for only $1.00 plus a few cents for shipping.

We know what charmers these three wise men are. We're betting that you'll be so taken by them that you'll want to stay in the Club and meet some of their friends, including the greatest story tellers, philosophers, poets, and historians the world has ever known.

Don't send any money now. We'll bill you later. Just fill in and mail the coupon below, now, while you're thinking about it and while the invitation still stands. The Classics Club, Roslyn, New York 11576.

LET THESE 3 WISE MEN INTO YOUR HOME.

LATER, YOU MIGHT LIKE TO INVITE THEIR FRIENDS.

THE
CLASSICS
CLUB
ROSLYN, N.Y. 11576

Please enroll me as a member and send me at once Plato, Aristotle and Marcus Aurelius. I enclose *no money now*. After a week's examination, I will either keep my books and pay $1 (plus postage and handling) or return them. As a new member, I will get a complete list of titles from which to select the books I want. For each volume I choose, I pay only $4.39 (plus postage and handling). I may return any book, at the Club's expense, for full credit and I may cancel my membership at any time.

5-XII

PRINT NAME

9C

ADDRESS

CITY STATE ZIP

Note: Members accepted in U.S.A. and Canada only. Canadian members will be serviced from Ontario; offer slightly different in Canada.

headlines and body copy . . . typography and colors . . . to create the right graphic mood, display the product or service to best advantage, and to invite the readership that leads to response.

In television, the producer takes over these tasks. And this role has taken on new significance in recent years as direct-response spots have been upgraded in their production values. TV has always been a visual medium. But you would have scarcely known it by the way response spots used to be produced. They would traditionally put a spokesman on camera. This "talking head," as it's known in the trade, would deliver the selling message in the style of an old-time pitchman, complete with a demonstration. You'd actually be able to see how the product would slice and dice, munch and crunch its way through a problem. You might call it the Vegamatic Syndrome.

Make no mistake about it—those spots worked. They moved a ton of merchandise in TV's early days. However, viewers started becoming more sophisticated. Fortunately, direct-response advertisers have done the same. Today, a typical TV spot is more like one recently done for Home Box Office. It uses top character actors. A "slice of life" situation. Cuts from recent Hollywood movies that are offered on HBO. And, of course, a strong call to action. In short, much more than just a talking head on camera.

As with space advertising, it's critical to capture attention quickly—to tell as complete a story as possible, within the time constraints. Even a two-minute spot, which is four-times the most common length used by general advertisers, contains only about 250 words of copy.

Response TV is growing roughly 45 percent faster than general TV advertising based on the latest figures available. Part of that can no doubt be attributed to the growing use of TV support. These shorter commercials, which are used heavily by advertisers like Publishers Clearing House, simply pre-sell the viewer for a more complete selling message that will soon appear in his mailbox or Sunday newspaper.

Radio bears mentioning, but not much more than that. With a few exceptions, it is not widely used for direct response. Radio has the same time limitations as television, but lacks the demonstrability and other visual effects TV offers.

5. Business Market

To talk even briefly about creativity for the business market is difficult without first making the distinction between business mail-order and business lead-getting.

With some relatively minor differences, business mail-order is guided by the same creative principles as consumer mail-order. You normally use a standard mailing package format or a catalog. It should be noted that self-mailers tend to work better than they do in the consumer market, particularly for promoting business seminars.

Test experiences have repeatedly shown that consumer-like techniques are equally effective in the business market. Things like oversize headlines, colorful brochures, strong benefit copy, free gifts, and prominent guarantees motivate a business buyer. He might be spending company money rather than his own, but he's still human and trying to make a wise buying decision.

When it comes to lead-getting, whose growth is being driven by rapidly escalating costs of personal selling, the creative strategies shift sharply. The goal is not to tell a complete enough story to make a sale, but merely to whet the reader's appetite enough to get him or her to raise their hand by requesting more information.

This usually means a less elaborate mailing package. Or a space ad that's not so copy heavy. It also means you tend to put more emphasis on the offer (perhaps a free booklet, seminar, or demonstration) than on the product itself. You should also have a clear-cut idea of the relationship between lead quality and quantity.

The offer—and how much emphasis you give it—is the controlling factor here. A generous offer, prominently displayed, will produce a higher quantity of leads, but they will be lower quality as far as conversion to sales. The same relationship applies in reverse. A less generous offer produces fewer, but better qualified, leads.*

6. Telemarketing Scripts

It sounds easy to write a script for a trained communicator to use in calling customers or prospects. It isn't. Like a sales letter, a phone script has to be in a first person, me-to-you style. It's even harder, however, because it will be spoken, not read. It has to sound natural.

A good phone script should also take advantage of the fact that telemarketing is an interactive medium. You want to engage the prospect in a conversation or dialogue. That means being able to ask questions that are both appropriate and provocative enough to arouse the prospect's interest.

There are situations where a call guide can be used, which simply outlines the points to be covered in each call. In most cases, however, it makes sense to script out at least part of the call. A completely scripted call ensures a uniform selling message, regardless of the experience level or background of the caller.

One beauty about writing telemarketing scripts is the flexibility they provide to change and experiment. In every other medium, a point is reached where the message must be "frozen." It's time for the brochure to go to the printer, to shoot the TV spot, or make a space ad closing date. The message is then exposed to thousands or millions of people before there is a chance to revise it again.

Not so with telemarketing. You can try out the script on a few dozen calls. See which parts work and which do not. Make the changes on the spot. A good telemarketing script is more of an evolutionary creative process than the other categories that have been covered.

7. Creativity Challenges of the Future

The subjects covered above are today's most specialized types of creativity. As the new video grows in popularity and reaches its potential, certainly others will have to be

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*For more in-depth advice on *the creative process in a business environment*, reference can be made to the monograph, on *Business/Industrial Direct Marketing*, published by DMA.

added to this list, such as the creative challenge of videotext and techniques for maximizing response from interactive video.

Testing and the Creative Process

Unlike general advertising, most direct-marketing agencies do not have a research department or a research director on their payroll. They have many of them. For testing is so basic to the direct response field, that it's like a continuum of research. Almost everyone in the agency gets involved in one way or another in this research process.

The measurability of direct marketing allows us to scientifically split-test one approach versus another. To find out which works better. Precisely how much better. Not by measuring opinions, or readership, or "will you buy?" intentions, but by counting the actual orders or inquiries received.

Measurability and the built-in testing mechanism are truly what set us apart from general advertising. The ability to accurately measure the success of his or her creative efforts—and to continually learn what motivates people to respond—is a tremendous tool for the creative person. While it may cause some occasional insecurity, the really good creative people thrive on knowing what works and what doesn't—and on being able to see the real impact of their creative efforts.

1. What to Test

While it's tempting to be able to test everything under the sun, testing budgets should be concentrated on the big things that make a major impact on success. They fall into two main categories.

The first is market testing. These are the tests that determine which lists, publications, or broadcast buys are most successful. Since they make more impact on results than offers and creative executions, this area should never be neglected in a sound testing program. A smart creative person pays as much attention to these tests results as he does to copy tests. For, in doing so, he learns more about the market he's selling.

The other broad area that testing should be concentrated on could be called the *motivators* and the *message*. The motivators are the offers and the various offer elements discussed earlier: pricing and payment options, premiums, discounts, sweepstakes, and so on. Next to market testing, they have the most impact on results.

The message is the creative execution—strategy, headlines, and copy, plus the graphics and format of the ad or mailing that are used to deliver the creative message. Ideally, some testing should be done in all these areas, so the winning tests can be put together and really parlay your success.

2. How to Test

How your tests are structured depends on the medium. In space advertising, many large consumer magazines can give you a perfect A/B split run. Half the copies are printed with your ad A; the other half with ad B. The same is true in direct mail, where the computer should be able to split your lists into two or more test panels, selected on a random sample basis.

How you use these media test capabilities depends on what you want to learn. If you want to learn what impact a single element makes on results, you do element testing—such as testing two ad headlines, or with and without a premium.

If you're looking for breakthroughs, you may prefer to go at it differently and test what might be called "the whole enchilada." Such as an all-new ad with different headline, a premium offer you haven't tried before, and brand-new copy. If it works better than your existing control ad, you won't know exactly what made the difference, but you can do element testing later to find out.

Since we've been examining the subject of "Creativity—Then and Now," it might be appropriate to close by asking if testing has changed much over the years. The answer is *Yes* and *No*.

We still need to test as much as ever. Because we can never predict in advance exactly how the consumer will react to a specific offer or creative execution, until it's been tested. Then it becomes very predictive to do confirmation testing and roll-out with the winner. That's always been true.

But over the years, direct marketers have become much more sophisticated about testing. Years ago, there used to be a lot of testing devoted to things like different colors of paper stock or whether you underscore the words in an ad headline. In other words, trivia testing—things that make a very minor difference in results.

Today's direct marketers seem to be much smarter in that regard. They use their test dollars to find breakthroughs. They have computers to help make sure their test panels are selected accurately. They make more use of Probability Tables to ensure the results they're getting are statistically valid.

This bodes well for the future of direct marketing, because, essentially, we test today to learn how to spend tomorrow's advertising budget more profitably. That's really what direct marketing is all about.

11

Delivery Systems

by Richard Barton
Direct Marketing Association, Inc.

United States Postal Service

Rates and Classifications

U.S. Postal Service rates and classifications are determined in a complicated process requiring a proposal of the USPS Board of Governors, a recommended decision by the Postal Rate Commission, and final action by the Governors. At present, there are four major classes of mail, First through Fourth, with each receiving different kinds of service. The class of mail and the service it receives from postal workers determines the rate charged to users of each class.

First Class—Users pay a premium rate to receive significantly faster and more costly handling. We estimate that approximately 20 percent of all First Class letter mail is direct mail. About five percent of all First Class mail consists of business reply envelopes and cards.

Second Class—A diverse grouping of five subclasses including magazines, newspapers, and other periodical publications. These subclasses are: regular rate, classroom publications, nonprofit, transient rate, and within county.

Third Class—All types of advertising including items such as circulars, catalogs and newsletters; the major categories are: piece, regular bulk, and nonprofit mail.

While direct mailers use several classes of mail (see page 131 for Exhibit 6-6 "Number of Pieces of Mail Attributed to Direct Mail"), they primarily take advantage of lower rates provided by the Third Class, regular bulk category. A $40 bulk mailing fee is required for each calendar year or portion thereof. In addition, a $30 application fee is required to mail permit imprint matter. Authorized *nonprofit* bulk mailers must, also, pay these fees. It is estimated that approximately 964,398 Third Class permits are currently held. An estimated 90 percent of these permit holders have fewer than 100 employees, and an estimated 50 percent have fewer than nine employees.

To qualify for Third Class Bulk rates, the business mailer (or direct mailer) must ZIP Code sort, bundle, tie, bag, and personally deliver the sacks of mail to the post office. The business mailer performs up to half of the basic tasks normally performed by the Postal Service for First Class mail. The requirement for preparation of all classes of mail are in the Domestic Mail Manual.

Fourth Class—Mailable matter which is not mailed at first or second class rates and weighs 16 oz. or more. This is the principal category for the mailing of parcels. There are special rates for books and records. Library rates fall under Fourth Class mail.

International Mail is divided into two general categories:

Postal Union Mail—Letters, letter packages, aerograms and post cards which fall under the subdivision of LC mail (letters and cards). AO mail (any other, books, newspapers, periodicals, as opposed to parcels) includes printed matter for the blind and small packets. There is a weight limit for four pounds to all countries except Canada which has a 60-pound limit.

Parcel Post has different weight and dimensional limits. For detailed information, ask to see Publication 42, "International Mail," filed in your local post office.

Private Express Statutes

The origin of statutory restrictions on private delivery of letters developed in the days of absolute monarchs of Europe, who engaged carriers on a regular basis to transport official correspondence among the courts by using established way stations. It was common practice in Europe, prior to 1700, to grant monopolies for mail delivery. Between 1700 and 1740, most European countries assumed control of the existing private systems, to ensure that regular communications necessary for the transactions of government business were carried out efficiently.

In the United States, the Private Express Statutes marked the beginning of what was to become known as the United States Postal Service (USPS). These Statutes were based on the restrictions of a stable, functioning, rational postal system. Even after the postal system had developed and expanded to provide universal, inexpensive and prompt postal service, the Private Express Statutes remained, and private competition was restricted to perpetuate the "secure economic foundations of the United States Postal Service."

1. Restrictions on Delivery

Private Express Statutes restrict the delivery of letter correspondence directed to a particular individual at a given address. The correspondence must be delivered into the householder's or office's letterbox or mail slot by the USPS. If delivered by private carrier, postage must be affixed and cancelled. In other words, a private carrier may

Exhibit 11-1

COMPOSITION OF MAIL

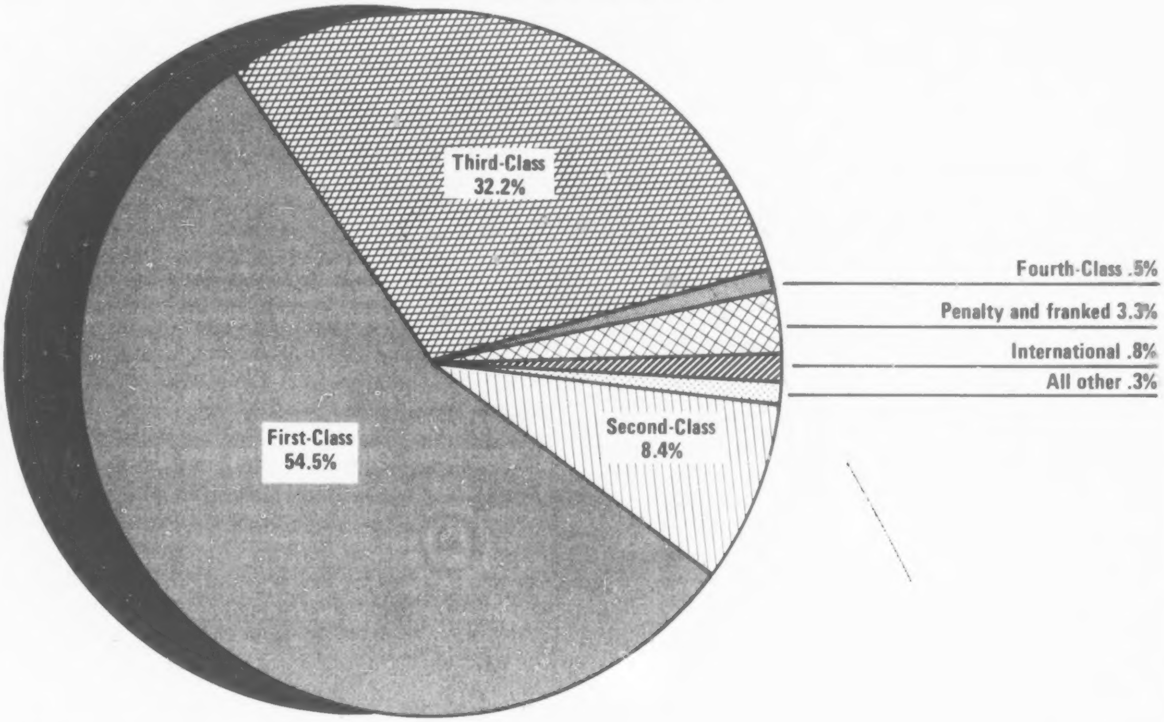


Exhibit 11-2

PIECES OF MAIL
(Postal Fiscal Year: Oct. 1 - Sept. 30)
In Billions

Mail Classification	1983	1982	1981	Percent Change 1982-1983	Percent Change 1982-1981
First Class	64.25	62.20	61.41	+3.3	+1.3
Second Class	9.22	9.53	9.96	−3.3	−4.3
Third Class	40.73	36.72	33.61	+10.9	+9.3
Fourth Class	.57	.60	.59	−5.0	+1.7
Penalty and Franked	3.32	3.72	3.30	−10.7	+12.7
International	.91	.93	.89	−2.2	+4.5
All Other	.38	.34	.34	+11.7	−0.0
TOTAL	119.38	114.04	110.10	+4.7	+3.6

Source: Direct Marketing Association, "U.S.P.S. Revenue and Cost Analysis Report," 1983.

Exhibit 11-3
BRIEF HISTORY OF SELECTED U.S. POSTAL RATES

E.D.=Effective Dates

Year	1st Class 1st oz. E.D.		Air Mail 1st oz. E.D.		3rd Cl. Single Piece 1st 2 ozs. E.D.	
1960	8/1/58	4¢	8/1/58	7¢	8/1/58	3¢
1961		4¢		7¢		3¢
1962		4¢		7¢		3¢
1963	1/7/63	5¢	1/7/63	8¢	1/7/63	4¢
1964		5¢		8¢		4¢
1965		5¢		8¢		4¢
1966		5¢		8¢		4¢
1967		5¢		8¢		4¢
1968	1/7/68	6¢	1/7/68	10¢	1/7/68	6¢
1969		6¢		10¢		6¢
1970		6¢		10¢		6¢
1971	5/16/71	8¢	5/16/71	11¢	5/16/71	8¢
1972		8¢		11¢		8¢
1973		8¢		11¢		8¢
1974	3/2/74	10¢	3/2/74	13¢	3/2/74	10¢
1975	12/31/75	13¢	12/31/75	17¢	12/31/75	13¢
1976		13¢		17¢	7/18/76	14¢
1977		13¢	5/1/77 Domestic Air Mail Eliminated			14¢
1978	5/29/78	15¢			5/29/78	20¢
1981	3/22/81	18¢			3/22/81	18¢
1981	11/1/81	20¢			11/1/81	20¢

Year	3rd Class Regular Bulk Min. Per Piece E.D.		3rd Class Bulk Non Profit Min. Per Piece E.D.		Parcel Post (Local) E.D.	Per Pc.	Per. lb 1-5
	1/1/59	2¢	1/1/59	1¢			
1960	7/1/60	2.5¢	7/1/60	1.25¢	2/1/60	20¢	+2¢
1961		2.5¢		1.25¢		20¢	+2¢
1962		2.5¢		1.25¢		20¢	+2¢
1963	1/7/63	2.625¢		1.25¢	4/1/64	25¢	+2¢
1964	1/1/64	2.75¢		1.25¢		25¢	+2¢
1965	1/1/65	2.875¢		1.25¢	1/15/67	25¢	+2¢
1966		2.875¢		1.25¢		25¢	+2¢ + 10¢ to nearest 5 or 10¢
1967		2.875¢		1.25¢			
1968	1/7/68	3.6¢	1/7/68	1.4¢	10/19/68	45¢	+2¢ to nearest 5¢
1969	7/1/69	3.8/4.0¢*	7/1/69	1.6¢		45¢	+2¢
						1 lb. not more than 2 lbs.	
1970		3.8/4.0¢*		1.6¢	11/14/70	60¢	
1971	5/16/71	4.04/4.2¢*	5/16/71	1.7¢		60¢	
1972	3/12/72	5.0¢		1.7¢		60¢	
	7/6/72	4.85/5.0¢*					
1973		4.8/5.0¢*		1.7¢		60¢	
1974	3/2/74	6.1/6.3¢*	7/6/74	1.8¢	3/2/74	61¢	
1975	12/31/75	7.7/7.9¢*		1.8¢	9/14/75	67¢	
					12/31/75	77¢	
1976	7/6/76	7.7/7.9¢*	7/6/76	1.9¢		77¢	
	7/18/76	7.5/7.7¢*	7/18/76	2.0¢			
1977		7.5/7.7¢*	7/6/77	2.1¢		77¢	
1978	5/29/78	8.4¢	5/29/78	2.4¢	5/29/78	$1.15	
			7/6/78	2.7¢			
			7/6/79	3.1¢			
1979							
1980		8.4¢†	7/6/80	3.5¢††			
1981	3/22/81	10.4∆	7/6/81	3.8¢°	3/22/81	1.38	
1981	11/1/81	10.9∆∆	1/10/82	5.9¢°	11/1/81	No change	
1982			7/24/82	4.9¢°			
1983	5/22/83	11.0■■	1/9/83	5.2¢°			

* = 1st 250M pieces per year at initial figure

** Editor's Note: Full Domestic Mail Rate History of all classifications, weights, discounts available is on file with DMA Information Central.

† A 1.7¢ per piece discount for mail zoned to carrier route offered.

†† A .03¢ per piece discount for mail sorted to carrier route offered.

∆ A 1.6 per piece discount for mail sorted to 5-digit offered; a 4.0 per piece discount for mail sorted to carrier route.

∆∆ A 1.6 per piece discount for presort to 5-digit ZIP; a 3.0 per piece discount for presort to carrier route.

■■ A 1.7 per piece discount for presort to 5-digit ZIP; a 3.6 per piece discount for presort to carrier route.

° A .9 per piece discount for presort to 5-digit ZIP; 1.9 per piece for presort to carrier route. There was no change as of 1/9/83.

deliver, but the sender must still pay the Postal Service's fees. And, the private carrier may not place any material into the letterbox or mail slot.

For many third-class mailers who are sending out non-addressed, promotional pieces, it is efficient and less costly to place their ads in a see-through envelope which hooks over the doorknob. It ensures delivery to the household without the expense of sending it through the USPS. This practice is commonly referred to as "doorknob delivery" and is an accepted practice that does not conflict with the restrictions of private delivery of letters, since it is not addressed. *However, the mailbox may not be used.*

2. Regulations to Know

There are numerous suspensions and exemptions to the Private Express Statutes and a significant body of regulations concerning them. Before private delivery of any material which could even remotely be considered a letter (e.g., data processing material), these regulations must be considered.

The general outline of the regulations is contained in section 112 of the Domestic Mail Manual (which replaced the old Postal Manual on August 30, 1979). Specific, detailed regulations are contained in the Code of Federal Regulations, 39 CFR Parts 310 and 320. The Postal Service also publishes *Questions Answered on Private Express Statutes*. Both the regulations and the pamphlet can be obtained from the Assistant General Counsel, Legal Affairs Division, U.S. Postal Service, Washington, DC 20260.

Recent rules have been adopted by the Postal Service designed to tighten and modernize the application of the Statutes. Of particular interest to many direct marketers is the final rule adopted in August of 1980 which suspends the statutes for advertising circulars placed in parcels carried outside the mail. The Postal Service made a proposal in December 1978 which would have severely restricted—and probably destroyed—this important business. As a result of cogent arguments presented by the industry, however, the Postal Service decided that the proposed rule would be counter-productive, as would be the enforcement of existing laws restricting parcel inserts. Now, for the first time, there is no question about the legitimacy of this practice.

Use of the ZIP Code

1. History

A new method of mail sorting and distribution called the Zoning Improvement Plan, or ZIP Code, was initiated on July 1, 1963. It was intended primarily for business mail, but has gained widespread public acceptance and has contributed substantially to the increased efficiency with which a much larger volume of mail is now handled.

The *first* of the five digits indicates one of ten geographic areas; the *second* indicates a state or geographic portion of a heavily populated state, or two less-populated states within the geographic area; the *third* digit indicates a major destination point within the state; and the *last two digits* represent either a postal delivery station of a large city post office, a smaller post office served from a sectional center, or a single office building receiving large volumes of mail.

2. ZIP + 4 Code

ZIP + 4, also called the nine-digit ZIP Code, which was implemented on October 1, 1983, is primarily intended as a business system, designed to allow the Postal Service to introduce automation to sort the nation's growing volume of mail, 83% of which originates with the business mailer. The Postal Service emphasizes that ZIP + 4 will be an entirely voluntary program; no one will be required to use the expanded ZIP Code.

With only a few exceptions, the first five digits of the ZIP + 4 code are the old ZIP code. These numbers are followed by a hyphen and four numbers. The first two of the new digits identify a specific sector of a delivery zone, which may consist of several blocks, a group of streets, large buildings, or a small geographic area. The last two numbers divide sectors into even smaller areas called segments: one side of a city block or both sides of a particular street, one floor in a large building, specific departments within a firm, a cluster of mailboxes, sections of post office boxes, or other similar geographic groupings.

While the five-digit ZIP code enables the Postal Service to machine sort to the delivery postal office, ZIP + 4 will allow automated sortation directly to a carrier, reducing the sorting now done by clerks who must memorize the addresses delivered by each carrier.

At the originating office, optical character readers (OCRs) locate and read the city, state and ZIP Code, and special printing units apply a "bar code" on most letter size mail. The bar code, consisting of a series of vertical bars and half bars that correspond to the ZIP + 4 code, allows all subsequent sorts to be done by high speed, low cost bar code sorters (BCRs). This equipment will minimize manual reading and sorting, thus reducing costs through improved sorting speed, accuracy, and efficiency.

3. The Postal Service Discount for Use of ZIP + 4

Originally a five-cent discount for regular and five-digit presorted First Class mail was proposed. However, the Postal Rate Commission recently issued a Recommended Opinion calling for a .9¢ discount for regular First Class mail, and a .5¢ discount for mail presorted to five digits. As of this writing, the Postal Service Board of Governors has not yet decided whether or not to accept the Commission's decision. At any rate, discounts initially will apply only to First Class mail, though proposals have been made by DMA to extend it to Third Class mail.

The implementation of ZIP + 4 has been somewhat controversial since its inception. After a series of hearings and studies, Congress delayed implementation of ZIP + 4 in the Budget Reconciliation Act of 1981. That Act forbade the Postal Service from actually implementing the system until October 1, 1981. However, the Act allowed the Postal Service to take preliminary steps for implementation, including purchase of equipment. In the meantime, the General Accounting Office conducted a series of studies which, while pointing out some difficulties and questions, recommended that ZIP + 4 be implemented on schedule.

Mailers wishing to convert their lists to ZIP + 4 should contact their local postal office for complete details on the availability of computer tapes and other information about the list conversion service offered by the Postal Service.

Selected Quotes in Support of Direct Mail

The persistent charge that Third-Class mail does not support itself and is subsidized by the other classes is, in fact, not true. All of the recent Postmasters General have testified to the fact that it does pay its way.

> ***There are those critics (who) operate under the misconception that their "regular" mail subsidizes your Third-Class mail. To that notion, I can only say that your mail is a treasure to the Postal Service.***
>
> ***What these critics conveniently overlook is that the direct mail industry pays its own freight—if you'll pardon the pun. The critics often do not understand that each class of mail pays the direct costs of the service we provide, and they do not realize that, without the crucial volume your industry provides, the rates of all other classes of mail may rise as we were forced to spread our fixed expenses over a lower base of total volume.***
>
> **Postmaster General William F. Bolger**
> **Direct Marketing Day in New York**
> **June 1981**
>
> ***Direct Mail advertising is valuable business for the Postal Service. The revenue from this class of mail makes a large contribution towards the fixed costs of a delivery network that serves more than 70-million homes, farms and businesses. Without this volume, we would be forced to increase rates for letters and other classes of mail.***
>
> **Postmaster General William F. Bolger**
> **DMA Government Affairs Conference**
> **May 1978**
>
> ***I have always looked upon your industry as a major distributor to our nation's gross national product.***
>
> **Representative James. M. Hanley**
> **Testifying before the Subcommittee on**
> **Postal Operations and Service on HR 7700**
> **July 19, 1977**
>
> ***Third Class commercial mail now pays its attributable costs and contributes more than $450-million toward the institutional costs of the postal system—the maintenance of 40,000 postal facilities across the land. If more costs are attributed to subordinate classes of mail and volume continues to decline, either the burden on the First Class mail user or on the taxpayer must increase.* (Report of the Commission on Postal Service, *Volume I, page 63, issued April 1977.*)**

At the December 11, 1975, hearing conducted by the Privacy Protection Study Commission, Robert F. Jordan, then Director of the Office of Product Management for USPS, testified:

> ***. . . 16 cents out of every dollar earned by the Postal Service in the 1973 base year is traceable to the Direct Marketing Industry. Overall, the Postal Service earned 1-billion, 287-million dollars from services used by the industry that year. Of this amount, 793-million dollars was used to pay 100% of the attributable costs of the services we provided. The remaining 494-million dollars helped defray the institutional costs of maintaining the postal system.* Advertising mail not only pays its own way, but helps support the postal system for the use of other mailers. *(Emphasis supplied.)***

Services Provided by USPS

1. Customer Service Representative

Probably the most valuable service provided to mailers by the Postal Service is the Customer Service Representative, a consultant whose services are gratis for USPS' business customers.

The responsibilities of the customer service rep are varied. They include: helping a business set up its mailroom in the most efficient manner possible to insure a better flow of mail and advising businesses how to achieve the most economical mailing system—what type and size of metering machines are required for that particular usage, what size scales, letter opening machines, etc.

Upon request, seminars can be held in a business' offices to educate the company's staff on the different classes of mail available and the ways in which that company can take advantage of specialized services such as First Class pre-sort. Forms and procedures are also explained.

To obtain the name of the customer service rep in your area, contact your local Post Office.

2. Special Mail Services

Express Mail was established in October 1977. Three basic types of services are available: (1) Same day airport service is available between designated airport mail facilities. The Postal Service will refund the postage for any item that is not available for claim by the time specified, unless the delay is stopped by strikes or other work stoppage, delayed or cancelled flights, or government action beyond the control of the Postal Service or air carriers. (2) A custom-designed service that is available only on a scheduled basis between designated mailable-matter offices, airport facilities and all other addresses within designated 3-digit ZIP Code delivery areas. (3) Next Day Service is available at certain retail postal facilities with overnight service to designated destination facilities or locations for items dropped by 5 p.m.

International Express Mail is similar to domestic Express Mail except there is no service guarantee. Further information can be found in the *Postal Manual*, Section 180, "Express Mail" and Section 494, "International Express Mail."

Mailgram is another form of fast next-day service. It is a joint offering of Western Union and USPS. A message may be entered by a telephone call to Western Union or by filing at a Western Union public office. The message goes through the Western Union computer system to the serving post offices and is delivered with the next business day's mail.

Free mail for the blind and other handicapped persons is available for blind persons or others who cannot use or read conventionally-printed material because of a physical impairment. These people must be certified by competent authority as being unable to read normal reading material. Again, for further information, consult your *Postal Manual*, Section 138.

3. Electronic Computer Originated Mail Service (E-COM)

The Postal Service in January 1982 began experimental use of an Electronic-Computer Originated Mail Service known as E-COM. E-COM service permits volume mailers to transmit computer-generated messages via telecommunications carriers to 25 serving post offices throughout the continental United States.

There is a minimum quantity of 200 messages per transmission. The Postal Service receives messages in its own computers, sorts the messages in ZIP Code sequence for efficient delivery, prints the messages on paper and inserts them into specially marked envelopes. Messages are then delivered as First Class Mail with a maximum of two-day delivery time. E-COM will not necessarily provide quicker service than First Class Mail but it is intended to free the customer from costly printing and processing burdens.

The future of this type of electronic mail is somewhat clouded. The question of regulation of the entire electronic communications industry is being actively debated by business, Congress, and different branches of the Executive Department. It would be well to check with the DMA Washington office for the latest developments.

4. Postal Service Publications

The U.S. Postal Service publishes a number of books, pamphlets, newsletters and other material which are of immense value to the direct mailer. The bibliography of this *Fact Book* lists many of these publications.

Private Delivery

Since the Postal Reorganization Act of 1970, postal rates have increased dramatically, causing some mailers to search for alternative sources of delivery of their material.

1. Alternatives to First Class Letters and Priority Mail

Recently a number of alternatives to First Class letters sent via the Postal Service have been offered to the public. These are permitted under the Private Express Statutes provided they meet certain criteria. Federal Express, Purolater Courier, major airlines and others offer these services. They are expensive but provide viable service in direct competition with the Postal Service's Express Mail. Because these services are not available to and from all locations, the best idea is to check with local offices of the carriers mentioned to confirm service and rates.

Other alternatives to first class mail include:

- Use of telephone combined with electronic fund transfers and other electronic communications.
- Use of toll free "800" numbers for business transactions such as orders, reservations, etc.
- Advertising in newspapers, magazines or on television.

In the area of priority mail—those First Class (non-letter mail) shipments over one pound—there are numerous competitors ranging from United Parcel Service Blue Label (which offers two-day service from almost any point in continental United States) to a wide variety of other air forwarders such as Emery Air Freight. Shipments by these carriers are at rates competitive with the Postal Service priority mail rates. For example, a ten pound package from New York to Los Angeles cost the same via UPS Blue Label and the Postal Service—both $11.50.

2. Publishers Move to Alternate Delivery

During the early 1970s, a number of large publishers began testing alternate methods of delivering their magazines and newspapers at reduced costs. Meredith Corporation, a forerunner in alternate delivery utilization, reached a crossover point in 1977, private delivery having become more economical than mail delivery for *Better Homes and Gardens*.

The *Wall Street Journal*, which was being privately delivered in 88 cities in 1980, now uses private distributors in at least 114 cities. Other publications, particularly heavy ones, have since realized a savings of up to 5¢ per copy on alternate delivery. The newspaper or magazine is often combined with delivery of national and local advertising material (thus holding down the rates).

Rates for alternate delivery have often been enough below Postal Service rates to interest publishers. The Postal Service, aware of this disappearing volume, has fought back by holding down rate increases on second class publications. Today you need to check with local alternate delivery companies to compare rates. See "Delivery Services" in your Yellow Pages.

3. Alternatives to Third Class Mailing

The private firms mentioned above can be of significant help in distributing some third class material such as merchandise samples and mass "saturation" mailings. Obviously, these private alternative companies have limited ability to deliver according to lists but, nevertheless, they should be examined for possible use. Again, we suggest you consult local organizations to determine services and rates.

4. Private Parcel Delivery

Private parcel deliverers handle about 80 percent of the nation's parcel shipments, with the United States Postal

Service delivering about 20 percent. These percentages represent an inversion from 1959, when some 80 percent of all packages were delivered by the United States Postal Service. The most familiar of the private parcel deliverers is United Parcel Service, which alone delivers slightly under 2 billion packages a year as compared to over 300 million in parcel post. Additional private parcel deliverers would include air freight shippers such as Federal Express and Emery; ground transportation, such as bus lines and trucking firms as well as the inter/intra city couriers.

Exhibit 11-4
ESTIMATED PRIVATE DELIVERY SYSTEMS STATISTICS

	1976	1977	1981	1982
Estimated revenues (all companies):	$1 billion +	$1 billion +	$1.5 billion	$2.245 billion
Estimated number of pieces of mail privately delivered (all companies)	8-10 billion pieces	10-12 billion pieces	35 billion pieces	35.4 billion pieces
Estimated number of private postal systems	5,000-10,000	5,000-7,000	5,000-7,000	5,000-7,000

5. Estimated Savings

Precise "savings" through private delivery are much more difficult to measure today because of the increasing use of private distribution as a marketing device. That is, the job being done by private carriers is evolving into a vastly different one than that being done by the Postal Service. For example, Meredith Corporation is routinely including direct advertising pieces, promoting products sold by other Meredith profit centers, along with privately delivered magazines. That practice, of course, isn't possible with mail delivery, making cost comparisons invalid.

In the same vein, an economic comparison of private delivery and mail delivery must not overlook revenues generated through marketing activities in conjunction with private delivery. Not only are revenues generated through the above mentioned practice, but, also, through private carriers' piggybacking local direct mail in a selective manner with the delivery of a particular magazine. By arrangement with the various publishers, the private carriers are able to offer local advertisers list selectivity of any one of the publications handled by that carrier. Typically, the carrier offers this selective delivery at 8 cents to 10 cents per household, paying the publisher 1 cent per household for use of that list. Not uncommonly, in some areas, five or six direct mail pieces may accompany the delivery of one magazine. Thus a publisher may be paying the carrier 15 cents to deliver a magazine but is in turn receiving revenue of five or six cents, effectively reducing his net delivery cost to nine to ten cents per copy.

Expansion of private delivery of magazines has slowed somewhat in the last two or three years because of the salutary effect private delivery has had on Second Class postal rates. Nevertheless, private delivery of magazines can be found in more than 30 cities or metropolitan areas throughout the country and is being done by both large and small distribution companies, the largest of which is Knight-Ridder (ADAMS), accounting for about half of all private delivery of magazines.

Another example of postal increases is that experienced by the book mailers. The average two pound shipment which cost 18 cents to mail in 1970 was raised to 86 cents in July 1979. Concerned with these exorbitant increases, Doubleday and other book publishers have been experimenting with alternate delivery systems since 1972. One attractive feature of private delivery of books is the ability to stock books with the private carriers, thus reducing fulfillment time, the shipment having been made in advance.

The severe increases in Postal Service rates for this classification of mail in recent years have brought the rates up to a level where the UPS rates, for example, are highly competitive with the special Fourth Class rates.

Rate competition is not the only factor to be considered. These carriers also compete on service. Features such as "next bus out" or UPS' $100 of automatic protection against loss or damage make the private sector increasingly attractive. Inquiry into these private carriers will produce service comparisons which show their standard service to be far superior to that of the Postal Service. Just to cite some examples, many private sector carriers provide pick-up of packages, signatures on delivery, tracing of packages and other attractive services. Many of these services are not available at all in the Postal Service or may have only limited application.

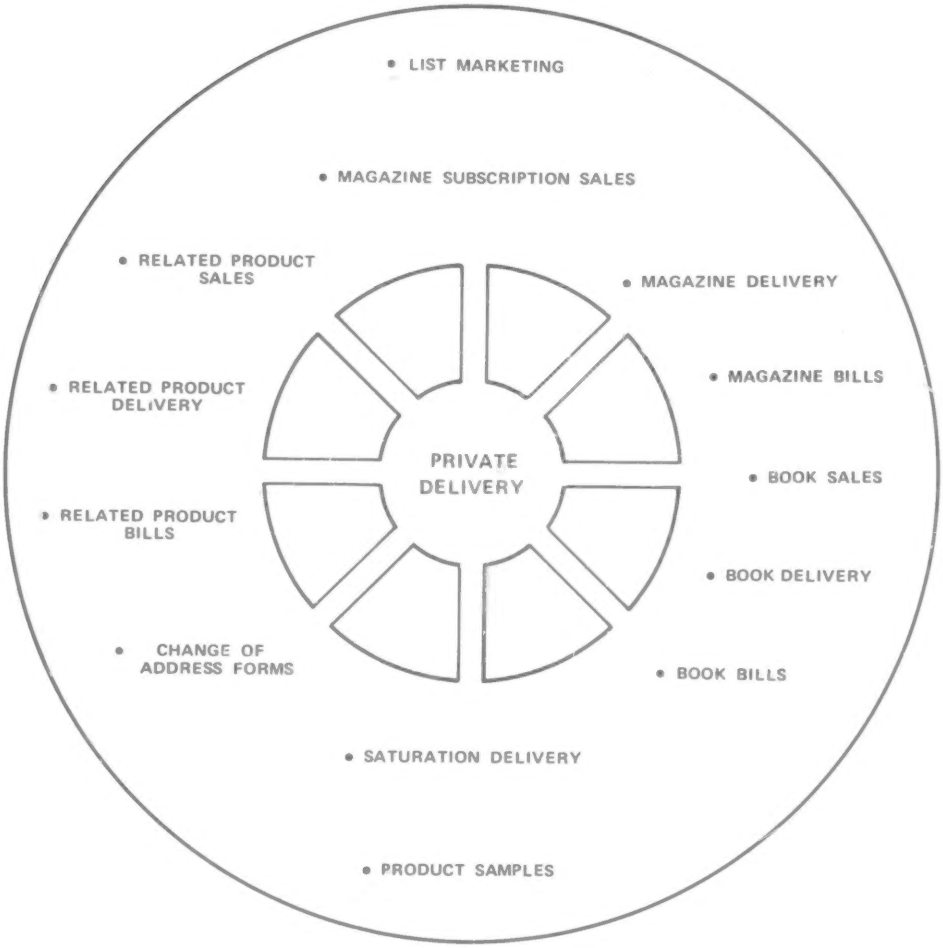
6. Distribution/Marketing

In addition to the marketing opportunities already mentioned, a wide array of other opportunities are presented through private delivery. A number of private distributors are routinely engaged in subscription selling, either as agents or in delivering subscription offers to publishers. Similarly, exciting results have been obtained through distributors functioning as agents in selling books, followed, of course, by immediate delivery of the product.

Another marketing opportunity, totally precluded through USPS delivery, is the inclusion of a product sample accompanying a magazine in which an ad for that product appears. These and other marketing opportunities are graphically illustrated in Exhibit 11-5.

Exhibit 11-5

DISTRIBUTION/MARKETING: PRIVATE DELIVERY, THE HUB


• LIST MARKETING
• MAGAZINE SUBSCRIPTION SALES
• RELATED PRODUCT SALES
• MAGAZINE DELIVERY
• MAGAZINE BILLS
• RELATED PRODUCT DELIVERY
PRIVATE DELIVERY
• BOOK SALES
• RELATED PRODUCT BILLS
• BOOK DELIVERY
• CHANGE OF ADDRESS FORMS
• BOOK BILLS
• SATURATION DELIVERY
• PRODUCT SAMPLES

12

Fulfillment And Customer Service

by Stanley J. Fenvessy, CMC
Fenvessy & Schwab, Inc.

"The customer is always right"
"The customer pays your salary"
"The customer comes first"

These slogans have been used by *businesses* over the years to emphasize the importance of properly serving the customer. Today, however, there are other voices that are promoting service. These are the voices of the *customers* themselves.

Customers today are better educated . . . are more demanding . . . are more attuned to consumerism . . . are of the belief that they are *entitled* to superior service. Nowhere has this become more evident than in direct marketing where the traditional one-on-one contact between buyer and seller has been replaced by a selling method in which the customer is asked to buy "blindly" from a picture and description.

The former "caveat emptor" or "buyer beware" method of selling has no place in direct marketing. Direct marketing is a "seller beware" business. Unless the seller satisfies and serves the customer properly, the transaction will be terminated by the customer, and it will be the seller's, not the buyer's, loss.

This chapter discusses how a direct marketer can best *serve* his customers, and, thereby, both avoid losses and keep customers happy.

Introduction

After the customer's order is received, the merchandise or publication must be delivered *promptly, completely* and in *good condition*. Providing customer satisfaction in that area is called FULFILLMENT. Answering customer telephone and mail *inquiries*, responding to *complaints*, and effecting *adjustments* for disappointed customers are referred to as CUSTOMER SERVICE.

In a business where *repeat* customers are the key to growth and profitability, these dual functions should be accorded equal importance in the creation of the direct marketing program and the selection of the products to be offered. It is, also, essential that fulfillment and customer service equipment and systems be in place and tested *before* either the launching of a new direct marketing business or the expansion of a new one.

Further, because fulfillment and customer service require more people, more space, more equipment and more computer time than all of the other facets of a direct marketing business, their execution can have a major impact on the company's bottom line.

Operating Standards

The following service and cost standards are being attained by the long-established and well-managed direct marketing businesses, whose operating systems have been carefully developed and refined. It is estimated that the combined sales volume of these efficient operators comprise about two-thirds of the total direct marketing business.

1. Delivering The Order

This refers to the elapsed time between the mailing of an order by a customer and the receipt of the merchandise. Most orders are *delivered* within two calendar weeks throughout the country and more quickly if the order is received by telephone.

Some of the very efficient companies process and ship 65 to 75 percent of their orders the same day they are received. The more typical practice, however, is to fulfill 85 percent of the orders on the day after receipt, providing a two-day, in-house turnaround. It is a proven axiom in mail order operations that companies meeting this service standard also experience low fulfillment and customer service costs.

Delivering the package within two calendar weeks has these advantages: (a) it satisfies the customer; (b) it reduces returns; and, (c) it contributes to lower costs.

2. Answering Customer Contacts

The ratio of subsequent customer service contacts (exclusive of returns) to the number of orders received is a good benchmark to evaluate the overall effectiveness of a fulfillment operation. In a well-run business, this should be between four and six percent. This means that for every 100 orders, a company will receive between four and six customer service inquiries, complaints, or requests for adjustments.

Similar to the standard for delivering merchandise, customers should receive an answer to these contacts within two weeks. Because first-class mail service is normally

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Note: Adapted from various "Questions & Answers on Fulfillment" columns published in *DM News*, "Fulfillment" chapter in *Direct Marketing Handbook*, published by the McGraw-Hill; chapter "Giving Service To Mail Order Customers" in *Direct Mail Advertising and Selling For Retailers* published by NRMA, and chapter on "Fulfillment" in *Retail Direct Marketing Monograph* published by the DMA, all by the author.

faster than package delivery, the actual response time achieved by most companies is ten days. Efficient catalog houses and publishers complete the three internal customer service functions of reading, researching, and responding in two days.

Providing the customer with a quick answer that is clear and responsive and making a fair adjustment should: (a) keep the customer happy and inclined to continue to do business with you; (b) reduce cost by abrogating additional correspondence) and, (c) forestall contacts from such consumer organizations as: governmental agencies, the Better Business Bureau, and the DMA's Action Line.

3. Completing The Order

The customer is *fully* satisfied only if *all* the items ordered are received in the initial shipment. Delayed shipments (back orders) and substitutions result in disappointed customers.

The percentage of orders that is completely shipped is called the "fill ratio." This ratio is approximately 95 percent in broad-based staple, hard goods, or gift businesses. The ratio drops to about 85 percent in fashion (apparel) operations, where a majority of the items is new, and there is a large number of size and color stockkeeping units. Direct marketers with high-fill ratios enjoy these benefits: (a) high level of repeat business; (b) lower operating expenses due to the elimination of the extra handling and shipping costs resulting from backorders; and, (c) fewer cancellations.

4. Receiving Returns

The very nature of the direct marketing business causes a large number of returns. These can result from: (a) customer dissatisfaction with the product; (b) late delivery; (c) wrong size or color; (d) fulfillment errors; (e) defective product or damage in transit; (f) package incorrectly addressed; or, (g) inaccurate description in the promotional material. The amount and reasons for returns are dependent upon both the type of merchandise offered and the efficiency of the fulfillment operation.

In a staple, hard goods, or gift business, returns ratios should not exceed eight to ten percent. The ratio in a fashion business is considerably higher, with some businesses experiencing 15 to 20 percent. In both cases, a minimum of one quarter of the returns should be exchanges for another product; the remaining three quarters would be refunds. Although returns cannot be entirely eliminated, these actions have proven to be effective in reducing the return ratio: (a) shipping promptly; (b) avoiding indiscriminate substitutions; (c) maintaining rigid merchandise and operating quality controls; and, (d) correcting deficiencies indicated when customers state their reasons for returning.

5. Operating Costs

The large volume of units, and the repetitive nature of fulfillment and customer service transactions have made *unit processing* cost control an effective expense management technique. All efficient direct marketers accumulate and publish the dollar amount of direct labor hours utilized in each step in the fulfillment process. This includes such functions as: mail opening and reading, data entry, warehousing, picking, packing, and shipping.

Although the unit cost for fulfillment service depends, to some degree, on the number of lines and dollar size of the order, many direct marketing businesses fulfill with a direct labor cost of less than $1.80 per order. This *excludes* overhead, internal credit and collection costs, packing supplies, printed forms, equipment rental, or outgoing shipping charges. Approximately one-third of the $1.80 is utilized for office type functions. The balance, or $1.20, is the physical fulfillment and warehousing labor cost. The unit labor cost standard for handling a customer service contact (either mail or telephone) is from 65 to 75 cents, depending upon whether research tools are hard copy files, microfiche, or an on-line computer terminal.

Developing unit cost standards and reporting performance weekly in comparison with those standards have these advantages: (a) keeps top management informed on expense trends in each operating unit; (b) sets realistic objectives for operating managers; (c) isolates problem areas; and, (d) facilitates budgeting and establishing shipping and handling charges.

Fulfillment Options

A number of *fundamental* alternative approaches should be considered in initiating or refining a fulfillment operation. Several of the key issues are discussed below.

1. Shipping Charges

Most direct marketers collect separate shipping and handling charges from customers. Notable exceptions are catalog companies such as L.L. Bean and Horchow, which include shipping and handling expense in the price of the products offered. Those that do charge customers generally plan for the total shipping and handling income to exceed the amount expended for outbound freight. This excess is considered a contribution toward reducing the overall fulfillment costs. Care should be exercised, however, not to set shipping and handling charges so high that customers will be discouraged from ordering.

There are five principal approaches to collecting shipping and handling charges:

a. Weight and Distance Calculation. The customer totals the weight, as shown in the catalog, of the items ordered and determines the shipping charge from a shipping cost table. The large catalog houses such as Sears and Wards use this method.

b. Flat Charge. The customer is asked to pay a single shipping and handling charge, regardless of the size, value, or distance involved. Some say this method discourages small orders; others say it stimulates the customer to buy more.

c. Per Item Charge. A flat charge is made for the first item, and another flat charge made for each additional item. The additional charge is usually lower than the first.

d. Related to Order Value. The customer uses a table on the order form to obtain shipping and handling charge based on the total value of the order. Usually, the percent of the charge decreases as order size increases. This method gives no consideration to distance, weight, or fragility of items ordered.

e. Keyed to Individual Items. A specific shipping charge is printed in parentheses immediately following the merchandise price. Here, costs can be related to nature and weight of items, but not to distance.

In determining which method should be selected, consideration should be given to these factors: (a) there has been a general increase in actual shipping costs and fulfillment expenses and in the charges made to customers to offset such expenses; (b) there is apparently little resistance by the customer to paying reasonable increases in shipping costs; (c) some catalogers have switched to the order value method with a reported increase in average dollar order; and, (d) several companies have added a separate insurance charge (usually 75 cents), in addition to the regular shipping charge, and have not experienced any decrease in orders or sales.

The type of shipping and handling charges assessed the customer can materially affect marketing results and the net fulfillment costs. Therefore, each of the available options should be carefully considered.

2. Inside or Outside Services

Because of the specialized requirements and large investment needed in personnel, facilities, materials handling equipment and data processing programs, a decision has to be made as to whether the fulfillment function will be performed *internally* or whether an *outside* fulfillment contractor will be used to handle all or a part of the fulfillment processing.

There are a number of basic alternatives available:

a. Contract Out Total Fulfillment Task. This begins with receiving orders by mail or telephone and continues through warehousing and shipping the product or producing magazine labels, including responding to customer service contacts.

Recently, several organizations have been established to provide this total service to catalogers. Such "service bureaus," as they are called, have been available to the magazine and publishing industry for many years. This approach frees management to concentrate on merchandise selection, catalog production, circulation development, inventory control, and, in the case of magazines, selling advertising and editorial.

b. Employ a Data Processing Contractor. In this alternative a contractor is used to receive orders, obtain credit approval, produce warehouse picking directives, maintain perpetual inventory records, and produce inventory control, marketing and financial reports. The direct marketer would, principally, handle the physical fulfillment and management functions. This approach eliminates the need to develop a manual order-processing system or to acquire computer hardware and software.

c. Utilize a Physical Fulfillment Contractor. This assumes the direct marketing company would perform its own order-processing functions. However, because of lack of space, equipment, or know-how, it would have its products shipped by an organization specializing in warehousing and order fulfillment. Here, the requirement to buy, build, or lease a distribution center is eliminated.

d. Use of a Telephone Contractor. The convenience and the toll free features of telephone ordering has markedly increased the telephone order volume in the direct marketing industry. The peaks and valleys, the time zone problems, the high equipment investment, and the problems of managing a fluctuating crew of highly trained operators have resulted in the establishment of a number of specialized telephone contractors. The effort and cost of creating an in-house telephone order taking function vs. the use of an outside contractor have to be carefully considered. Because outside services are purchased on a per-call basis, the use of such services are usually more economical than a small internal function, when considerations include all overhead, personnel and equipment costs. On the other hand, inside functions usually offer a more personal and responsive service to the customers.

e. Establish Own Fulfillment Function. This, of course, is the practice of almost all of the large, well established direct marketing businesses and of a majority of the small companies. With the availability of a wide selection of packaged computer order processing systems, an effective order processing department can be developed on a limited budget. Outside fulfillment services are widely employed in the publishing business, including by such major publishers as Hearst, McCalls, CBS, and most business publications.

There is no pat formula to determine whether an organization should use outside fulfillment services. Each situation has to be individually studied after considering such factors as: available capital; management know-how; and the time required to be totally operational. There are many examples of successful operations both inside and outside.

3. Billing Systems

Direct marketers can use one of three billing approaches:

a. Pre-Billing. In this approach, the customer's invoice is prepared before the merchandise is shipped. This system assumes the computer has correct inventory information, and that there is a predetermined shipping and handling charge. The invoice is either enclosed in the box or affixed to the outside of the package. If one of the items is found to be out of stock at the time of picking, the invoice is usually adjusted manually in the shipping operation.

b. Post-Billing. When using the system of post-billing, a copy of the warehouse picking document, showing method and cost of shipment and any inventory adjustments, is returned and rekeyed into the computer. A subsequent invoice is, then, prepared and mailed separately to the customer following the release of the shipment.

c. *Combination.* Some well-designed systems use a combination with prepaid orders being pre-billed, and credit card customers being charged through a post-billing procedure.

The selection of the one of the foregoing approaches is frequently based upon: (a) whether the company has a perpetual inventory system that can accurately determine whether the product is on hand; (b) the company wishes to bill the customer for the exact, rather than estimated, shipping charges and also show actual shipping date and carrier; and, (c) the company does not want to create manually adjusted invoices. With the availability of sophisticated computer packages, most direct marketers employ pre-billing. Post-billing is sometimes used for business-to-business sales.

4. Shipping Methods

Most direct marketing merchandise (about 85 percent) is shipped via United Parcel Service. UPS rates include $100 insurance. U.S. Postal Service is principally used when special rate programs provide substantial savings, such as for books, where the customer uses a P.O. Box number, and where shipments are heavy. There are two other shipping options that are available to direct marketers with considerable volume in two separate categories:

a. *Mixed USPS Third Class Bulk.* This requires 50 pounds or 200 parcels weighing under 15½ ounces each. Parcels are sorted into mail bags by either Bulk Mail Center or ZIP Code depending upon the volume. Charges are calculated on the total weight of the mail bags. Direct marketers using this program report substantial savings in shipping cost, as much as one dollar per package, with only a minor impact on delivery service.

b. *Drop Shipping of UPS Packages.* This refers to the transport of premetered parcels to a distant UPS Distribution Center using a company truck or a contract carrier. It is only feasible where a direct marketer has sufficient volume for a minimum of two truckloads a week to the remote entry location.

Both of the foregoing alternatives offer opportunities to reduce handling by the carriers and obtain lower overall shipping costs.

5. Order Picking Systems.

The physical fulfillment functions of receiving, storing, picking, packing, and shipping comprise the largest part of the total fulfillment cost. As stated previously, in most merchandising operations, they represent two-thirds of the order handling expense. The most critical function in the warehouse, and one which could involve considerable walking and handling, is order picking. There are six *basic* order picking approaches:

a. *Individual Order Picking.* Each individual order is picked by a filler going from one stock location to the next.

b. *Multiple Picking.* A number of orders are picked at the same time by one picker using a truck or cart.

c. *Sequential Zone Picking.* The order moves, by truck or conveyor, from one picking zone to another, and items are added by different pickers located in each zone.

d. *Order Explosion and Assembly.* The computer is employed to produce separate tickets for each unit on the order; picking is performed in batches; the individual tickets are affixed to the items; items are then sorted by individual orders at specified assembly/packing stations.

e. *Automated Picking.* Computer controlled equipment dispenses items from specially designed storage units to a conveyor which dumps the merchandise into boxes.

f. *Paperless Picking.* The order picker is directed by the computer to specific picking aisles by a visible lamp; a lighted indicator at the appropriate picking location in the aisle tells the picker what item to pick and in what quantity; after picking the item, picker pushes button on the module to report the pick to the computer.

A combination of two of the foregoing systems is also possible. For example, some companies employ order explosion for bulky items, pick smaller items in a sequential zone layout, and then assemble the individual orders. The selection of the proper picking system is dependent upon such factors as: order volume to be processed; average lines per order; size and fragility of the product; and frequency and extent of items with high unit sales.

Quality Assurance

An important element of managing for fulfillment excellence is to have sufficient quality control programs in place to assure that the customer is: (a) obtaining prompt delivery; (b) being accorded courtesy and competent treatment in all contacts with the company; and, (c) receiving the product in an appealing condition.

Successful direct marketers employ four techniques to determine whether their fulfillment is performing as expected:

1. Internal Quality Control Procedures

Here an independent quality control person or group is established to sample outgoing orders and correspondence ready for mailing to the customer. As a result of this routine, individual departments and workers can be evaluated by applying a quality control rating to the work sampled.

2. External Service Testing

Test orders are placed with the company and competitors, on a regular and continuing basis. Some of the merchandise ordered is then returned to determine how that function is performed. The tests are then summarized, and, as a result, the company has live data as to how quickly, courteously, and accurately each type of transaction is being handled.

3. Telephone Monitoring

Because of the high incidence of direct telephone contact with customers, direct marketing management has an unusual opportunity to obtain customer reactions first hand. This is not possible in retailing, where the store clerk or checkout cashier has a one-on-one relationship with the customer and monitoring is not feasible. Experience has found that, as personnel are made aware of the practice, they have an incentive to maintain a high level of consistent performance.

4. Customer Questionnaires

Many companies either include questionnaires in outgoing shipments or send follow-up letters to those who have been in contact with customer service. The questionnaires ask whether the customer was pleased with the product, the delivery service, the nature of the adjustment, and how the entire transaction was handled. In many businesses, the customers' responses are regularly reviewed by top management, including the president.

Practices, such as the foregoing, are widely employed by companies having regular contact with consumers such as: airlines, utilities, credit card operators, and consumer product manufacturers. Implementation of a quality assurance program has been proven over the years to be very effective in maintaining and upgrading customer relations.

Conclusion

There are many alternative approaches and systems available to assist you in achieving the operating service and cost standards previously discussed. A few selected options, in the most critical areas, have been presented in this chapter.

In sum, a *superior* fulfillment and customer service operation is the combination of well motivated people, using proper equipment in a pleasant working environment, and employing dozens of specialized operating and quality assurance techniques, peculiar to the direct marketing business.

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Collection Procedures

by
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Drawing upon twenty five years of experience in the collection field in the direct mail industry, it can safely been said that the three most frequently asked questions by credit and collection managers are:

1. How many collection letters are to be mailed?
2. How often should the letters be mailed?
3. How many telephone calls are to be made?

The solution rests on testing and plotting graphs, plus a little patience—the very same ingredients essential to successful direct mail marketing.

Credit Checking

Nevertheless, it is most advisable to first utilize some form of credit checking to hopefully avoid the creation of a bad debt. The extent of the credit check is, normally, based on the price of the merchandise or the amount of the order. If the order is substantial, the amount of credit checking can be substantial—in comparison to the amount of credit checking that a consumer marketer can perform when promoting an item that sells for $10 to $15. Credit checking is, also, affected by the sophistication of the person performing the credit check. It is recommended that a *credit checking manual* be prepared, and that it be carefully reviewed on a continuing basis to be sure it is current and being applied by the person doing the credit checking. Following is a list of credit checking procedures. The determination of which ones to use is based upon their cost compared to the amount of the sale.

1. Without question, a check or credit card charge received prior to shipment ("up front") is more reliable than selling on open account. Similarly, a credit card is usually more reliable than a check, since experience indicates that checks are returned unpaid more frequently than credit card charges are rejected.

2. When using a customer list other than your own, it should always be test mailed. Demographics should not only be obtained on how many sales the list promotes, but also on the bad debt factor.

3. Purchase orders should also be screened against an inhouse file of previous bad debts or an inhouse file of previous purchasers to determine if the last bill was paid promptly, what the customer ordered, and whether the customer has any open orders at this time.

4. The use of a credit checking agency or credit reporting agency certainly should be considered. All are helpful, and again, to what extent an agency is used is based on the amount of the order. The most well known credit reporting agencies are: Hooper Holmes, Equifax, TRW, Dun & Bradstreet, Claritas and the Fair, Isaac Companies.

5. Next to be considered is credit checking by use of a telephone call. By confirming a telephone, we confirm a telephone number, an address and a visible debtor. The call also confirms the fact the order was made and the accuracy of the order. In the instance of sales to businesses, the manner in which the telephone call is handled may indicate size and solvency. In consumers, attitude and sophistication may indicate credit worthiness.

6. Bank verification or reference verification is used when the order is substantial.

7. Finally, a very important credit checking device is order screening, commonly known as "eyeball credit checking." Some direct marketers use a point system where certain factors are assigned different weight:

   Post office boxes in metropolitan areas are usually a debit.
   Red ink and pencil are a debit.
   Illegible handwriting is a debit.
   Mistakes in addition are a debit.
   Full name of corporation or individual is a credit.

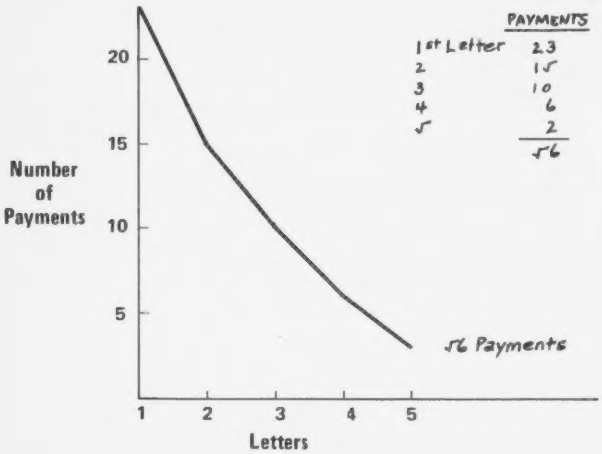
The importance of eyeballing an order form cannot be minimized, since, in many instances, this is the only credit checking available to the direct mail firm who is selling a low priced item.

The next obvious question is how do you arrive at the value assigned to the points, and at what point do you actually reject the order. A simple method is to allow ten or twenty orders to be approved with mistakes in addition and check later to see how many actually paid. This procedure may be used with order items on the order form. With these statistics a determination is made as to which items receive the smallest and largest values. If the percentage on one item is so substantial, then the appearance of this item on the order might warrant rejection of the order for this item alone. Rejection of other orders might require several items. A little mathematics will determine the magic threshold number.

Collection Letters

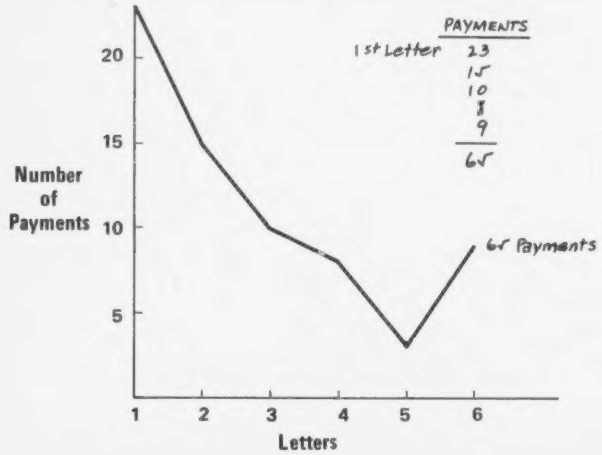
With regard to the question "How many collection letters are to be mailed," assume that 100 accounts remain unpaid at the 30 day aging, and preparations are being made to mail a series of *five monthly* collection letters commencing 30 days later. After the first letter is mailed, all payments received until five days after the second letter is mailed are monitored, i.e. 23 accounts paid. Five days after the second letter, monitor all payments received until five days after the third letter is mailed, i.e. 15 accounts paid. Then perform the same step for each letter until thirty five days after the last letter.

Consider the following graph as representing what took place:



This graph reveals that 56 of the 100 accounts paid over a five month period as a result of *five letters spaced approximately a month apart*, with the first letter being mailed on the 60th day after shipment.

Suppose a sixth letter is added and produces payment on nine additional accounts. The graph would appear as follows:



Obviously, there is something wrong with this graph. The fifth letter is not "pulling" its weight, or the sixth letter is so good that is should be moved up into position five. Now, the use of graphs becomes apparent.

If the bottom of the "V" appears at the third letter, the third letter requires revision. The ideal graph declines at a fairly regular plane, bearing in mind that a sharper decline occurs during the earlier letters, and a milder decline appears during the later letters. An inverted "V" indicates an unusually effective letter at the top of the "V" and a normal "V" indicates a weak letter at the bottom of the "V." The decline should level off gradually as the later letters are reached. A sharp decline in the later letters would be symptomatic of either an internal collection problem, or a sharp signal to refer the accounts earlier to a collection agency or an attorney.

Graphing solves the problem of whether a particular letter is effective, and, to some degree, when to stop writing letters. As the graph levels off and is producing minimal payments, perhaps this is the end of the letter writing cycle and other avenues of collection are to be examined.

A word about whether to measure the amount of dollars collected or the number of accounts collected. In this particular situation it is a more accurate barometer to measure the number of accounts collected. If a letter produces one payment out of twenty, and that payment is $500.00 as compared to an average ticket of $50.00, the letter is ineffective even if it did collect the one large account. An improved letter should produce the large payment, as well as other small payments. Using dollars as a measurement does not reflect the true performance value of a set of letters. Both the amount of payments as well the number of accounts collected should be graphed to provide a picture of the best of both worlds.

The more important question is whether five letters spaced one month apart will result in the best collection effort. The use of letters only two weeks apart may be more effective. Again, payments should be monitored from the date of mailing the first letter to a date five days after the date the second letter is mailed, etc. It may be more productive to mail a series of six letters two weeks apart, over a period of three months, commencing at 60 days after shipment of the merchandise.

There are basically four types of collection letters:

1. Notice letter—A simple reminder that the customer has not paid.
2. Customer Relation—The creditor asks why debtor has not paid.
3. Collection letter—The creditor insists upon immediate payment.
4. Final Notice—A further action will occur if payment is not made.

The question is how can a series of six letters be mailed, when there are only four types of letters. The solution is to mail two *notice* letters, two *collection* letters mixed in with one customer relation letter, and one *final notice* letter. On the other hand, a series of only two letters may be written by combining the notice letter with the customer relation letter and the collection letter with the final notice letter. Accordingly, any number of letters can be written, merely by contracting and expanding upon the four types of basic letters.

The best collection letter is written by the creditor. Plagiarism of letters written by other creditors, or from books furnishing examples of hundreds of different types of collection letters, is a very poor substitute for your own creativity. The best and most effective approach is to write your own letter, with your own choice of words, to reflect your philosophy and reputation.

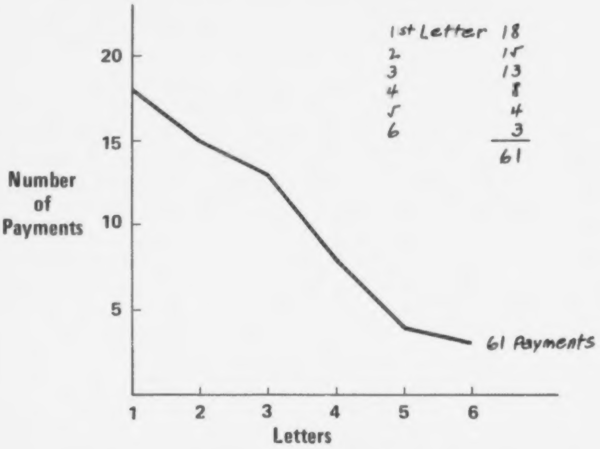
Recognizing that the last paragraph answers no questions but only sets forth a philosophy, the following concrete suggestions are submitted.

1. Short letters are preferred—no longer than four to eight lines.
2. Variation is recommended—from the length of the letter to the size of the stationery.
3. State what is important at the beginning—not the end.
4. Do not become too friendly or too harsh.
5. Chatty and cute letters are usually worthless.
6. The best approach is direct, businesslike, and to the point—the point being to obtain payment.
7. Remember that any consequence or action that is threatened must be carried out.
8. Change is important—color, print, layout, size, copy and style.

Returning to the question of how many letters should be mailed, consider the following payments received on 100 accounts, i.e.:

1st letter	—	18 payments
2nd letter	—	15 payments
3rd letter	—	13 payments
4th letter	—	8 payments
5th letter	—	4 payments
6th letter	—	3 payments

The graph would appear as follows:



After mailing six letters, 61 accounts were collected—substantially more than the 56 accounts that were collected after using five letters spaced one month apart. Certainly, the cost of mailing one additional letter is justified in the improved collection picture.

The reason the returns are poor for the first letter is because only 19 days are allowed for collection, instead of 35 days where the letters are cycled once a month. The graph levels for the last two letters. When two successive letters produce equal results, this may or may not be significant. If the graph retains its general declining features, the leveling ingredient is probably not germane. If there is a sharp decline to the first equal letter, revisions may be in order. The graph must be examined from two different perspectives. First, the performance of each letter must be compared to the prior letter and to the subsequent letter. Second, each letter must be evaluated with respect to its position in relation to the entire graph, and its place in the order of things.

When the performance of the last two or three letters level off, elimination of a letter should be the initial solution before considering a revision. It is possible that any revision may be futile, since the function of the collection letters may have come to an end. In fact, at this point, the exploration of other collection devices are in order.

The next step may be an effort to incorporate and blend the improvements. Schedule the first two letters a month apart and the last four letters two weeks apart. The result is a series of six letters, hopefully avoiding the poor performance of the last two letters by reason of the two week cycle. The results could improve dramatically. Perhaps, the first letter after 30 days, the next two letters two weeks apart, a suspension for 30 days, and, finally, the last two letters may be scheduled ten days apart.

The combinations are endless, but the magic key to success is to read and evaluate the graphs—and to continue testing. The letters to be watched are those that produce the best results over the shortest cycle. Three week cycles, ten day cycles, or even one week cycles are all available. Compression of the cycle time is advisable as the series of letters progresses.

One objection constantly raised is that compressing the cycle to less than one month (or two weeks) will not provide enough time to post the payments. Thus, the debtor will be receiving a dunning letter after he has made payment. There are several solutions. The problem could be ignored on the premise that the customer will recognize that a period of time must elapse before a payment is posted, and that the left hand of a firm never really knows what the right hand is doing. In most instances the customer does understand and merely throws the dunning notice into the waste paper basket. However, when the delay in posting is substantial, and the debtor receives two dunning notices after payment, the debtor may never become a customer again. If the posting system is up to date, the problems with the customer should be minimal—but if the posting system allows for delays, it may be necessary to add to the statement or dunning letter words to the effect that "if payment is made, please disregard this letter (statement)." While this may placate a disgruntled debtor, it definitely weakens the general collection effort. Certainly, an efficient posting system is more desirable.

Therefore, combining the best letters with a cycle that produces the best results is the utopian goal. It is rarely attainable, but continued testing will approach very closely to the desired objective.

Use of Telephone Calls

A word about the use of telephone calls. *The telephone call is the most effective and efficient tool available in the collection of a delinquent debt.* However, using the telephone call alone and without letters reduces the efficiency of the telephone call approximately 50 percent. Therefore, whenever the amount will support a telephone call, it is absolutely necessary that a telephone call be used in conjunction with properly-drafted collection letters.

What should be said during a collection call? Just as there are four basic types of letters, there are basically four types of telephone calls: the *notice call*, the *customer relation call*, the *collection call*, and the *final notice call*. The major and distinct difference is that the three or four components are incorporated into one telephone call as if we were combining the notice, customer relation, and collection letter into one letter.

First, the foundation is laid. The debtor is told how many statements were mailed, and how many letters were sent. The debtor is reminded that payment is long overdue.

Second, an inquiry is made to determine if there is any problem with the product or service sold. This should be handled in a very diplomatic manner, since the debtor may recognize that he may delay or avoid payment by claiming defective merchandise, shortages, etc.

Third, a strong effort must be made to insist upon payment. This is the true collection telephone call.

Fourth, the debtor is advised of the consequences in the event payment is not made—which is that the debt will be referred to an outside collection agency or attorney. Remember that promised action must be fulfilled.

If two telephone calls are scheduled, then the first three items are covered in the first call. In the second call, only items one, three and four should be included. One effort at customer relations is usually sufficient. Needless to say, if one call is scheduled, all four items should be included.

We also recommend that telephone calls, where possible, should be integrated with the letters so that a letter is mailed immediately after each telephone call. The reason is obvious. When the debtor receives the letter, the debtor immediately thinks of the prior telephone call, and the net effect is the production of a free telephone call.

One of the most important tools we recommend to our clients is the preparation of a telephone script for training a telephone worker. A script may be simple or list a multitude of situations. It may only contain the basics, or set forth how to cope with various situations, such as:

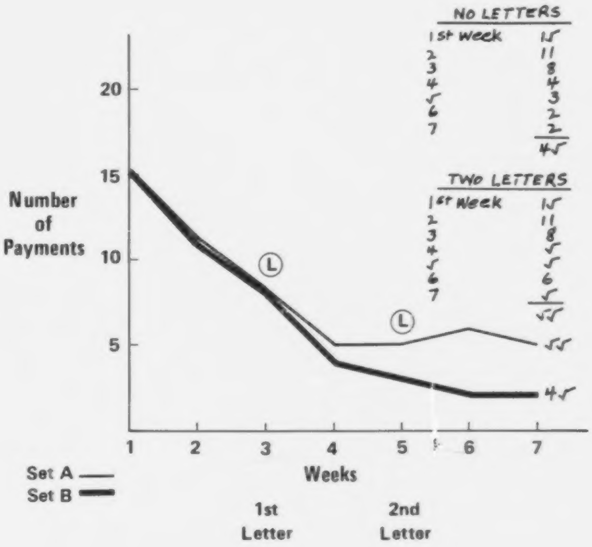
1. Leaving a message.
2. Response when payment is claimed.
3. Response to claim merchandise was never received, never ordered.
4. Response to refusal to pay.
5. Response to threat to complain to governmental agency.
6. Response to a welfare or social security debtor.
7. Procedure for dealing with a minor.
8. Response to "You can't get blood out of a stone."

The examples are only limited by the number of situations encountered. As the telephone calls are made, and the telephone worker presents the problems to the supervisor, a record should be made of each situation, and how it was handled. Recording this in a script will enable the next telephone worker to solve the problem quickly and efficiently.

One client decided to do away with letters entirely and confine his collection effort to telephone calls. The calls were made during the 45 day period after shipment. The results were phenomenal, or so the collection manager believed. The statistics disclosed receipts of about $400.00 collected for each hour spent on the telephone. At last, the perfect collection device. One month of telephone calling produced $75,000.00.

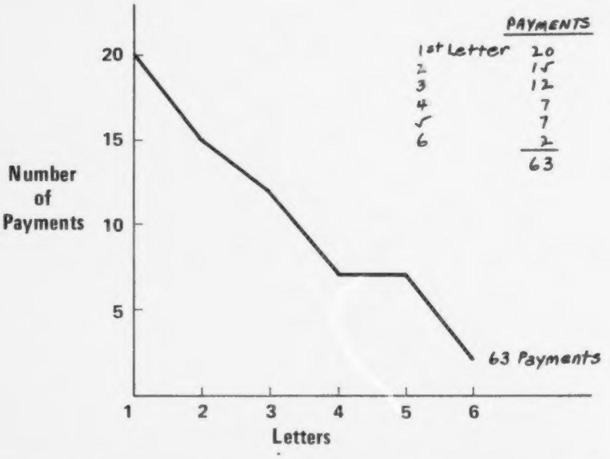
The bubble burst with just one simple question, "Compared to what?" If no collection effort of any nature was in place, and the customers were left to their own devices, perhaps $25,000.00 would have been received, since a certain number of customers would have paid without any prodding. If letters during the 45 day period would have produced $50,000.00, then only $25,000.00 could be allocated to the telephone effort. Using three letters instead of two letters during the 45 day period might have produced $60,000.00 at a fraction of the cost. Two letters and one telephone call might have yielded $80,000.00, and, even with this combination, the cost is substantially less than two or three telephone calls.

An analysis of the last paragraph should suggest a very basic tenet of all collection procedures, one that is often overlooked by the most sophisticated collection manager, i.e. *the most efficient collection for the least cost.* If the amount collected during the first 45 days without letters is substantially the same as with letters, then do not use letters. For example, consider a test of 100 accounts with two dunning letters (Set A) and 100 accounts with no letters (Set B). The graph might appear as follows:

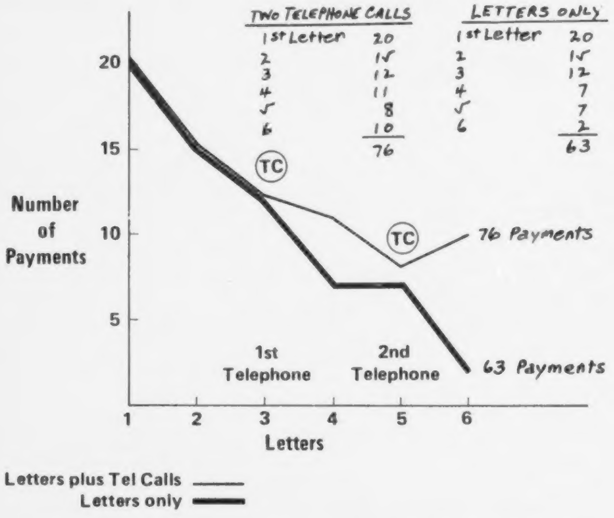


The obvious conclusion is that the first letter helped very little, since the graph leveled very quickly. The second letter seemed to improve payments. In addition, there is only a slight difference in results during the first three and one-half weeks despite the first letter. This may establish that no letter is warranted until after four weeks. The leveling signal toward the end of the cycle is the key to the evaluation and reading of the graph. This signal should trigger a new collection device. A typical test of

100 accounts with six letters, spaced one month apart, appears as follows:

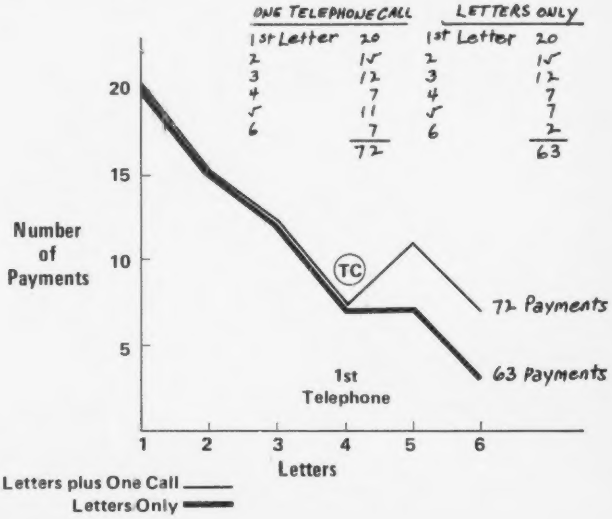


The telephone calls should commence between the third and fourth letter and a second call between the fifth and sixth letter. A letter is always mailed after a telephone call. When the debtor receives the letter, the debtor remembers the telephone call, and the net effect is two telephone calls for the price of one. This is far more efficient than telephone calls after the last letter. The graph might look like this:



The telephone calls improved collections. The fourth letter sustained the trend after the first call, and the second call increased payments through the sixth letter. The first call also contributed to the excellent production of the second telephone call. Whether a third telephone call and another letter are warranted can only be answered by continual testing and plotting. It is usually found that the third telephone call is not generally cost effective. If a debtor does not pay after two telephone calls, it is highly unlikely that the third telephone call will make a significant difference in his intentions. Nevertheless, this determination should be made by you, and not by what your competitors do.

Even a second call may not be warranted. Again, the graph must be plotted. Using the same letters as in the last graph, but only one telephone call after the fourth letter, the graph might appear as follows:



The net return may be almost the same, for the last two letters could very well sustain the one telephone call. Each firm is different, each product is different, each set of letters is different. Therefore, what applies to one firm does not apply to another firm. Testing and careful evaluation are the only answer.

A thorough appraisal of the results of the graphing will indicate whether a group of second calls should be implemented. This is not to be confused with circumstances that suggest that a second call would be useless, such as when the debtor refuses payment, hangs up the telephone, the business is in bankruptcy or out of business etc. In these individual circumstances, no second call should be made regardless of what the graph reflects.

Another point to remember is that each letter and each telephone call standing alone is economically profitable. The cost of sending letters to one hundred accounts always will cover the payments received, whether one letter or eight letters are mailed. The argument offered by those who send eight letters is that even the last letter produces payments in excess of the cost of sending the letter. While this statement is fundamentally true, it is not necessarily justification for mailing the eighth letter. The magic formula is not to make each letter cost effective. The key is to collect the most net dollars for the least cost. Thus, if a third telephone call produced $1,000.00, it would far exceed the cost of about $200.00 to make the telephone calls (telephone charges, wages, preparation of work, indirect, etc.). But is this the most economic and efficient procedure? In the following example, if the same accounts were referred to an outside collection agency or attorney, the outside agent may collect $2,000.00 over the same period. The fee charged by the outside agent could be forty per cent. The amount paid to the client would be sixty percent, i.e., $1,200.00. The expenses to refer the accounts might be $50.00, so the client would net $1,150.00.

In-house collection	$1,000.00	Outside agent	$2,000.00
Cost	200.00	Fee	800.00
			1,200.00
			50.00
Net Dollars	$ 800.00		$1,150.00

Thus, the firm nets $350.00 more referring the accounts to an outside agent. Of course, the calculations may prove that in-house collection is more effective. This approach is in accordance with our prior statement "compared to what?" It is, basically, the same principal to be used when deciding whether to employ telephone calls or letters. The only difference is that you are comparing internal efforts with different internal efforts.

Debt Collection Practices Act

Familiarity with the Debt Collection Practices Act is strongly suggested. Even though the act, passed in 1978, applies only to collection agencies, some states, and even New York City, have passed similar versions which do apply to creditors. In addition, other state laws also cover the same area, and these statutes do not omit creditors. Furthermore, if the act complained of violates the Debt Collection Practices Act, why should it make a difference whether a collection agency or a creditor committed the violation?

Copies of the act can be obtained from the Superintendent of Documents, Washington, DC.

* * * * * * * *

In conclusion, the testing and careful evaluation of collection results is the only method to determine effectively the number and cycling of letters and telephone calls. Any other method is pure and simple guesswork. It is well known in the direct mail industry that guesswork is the surest step to financial disaster.

14

The Role of Financing Analysis in Direct Marketing

by David B. Shepard
David Shepard Associates, Inc.

This article will deal with three areas of financial analysis that are critically important to direct marketing companies:

1. Measuring, tracking, forecasting, and reporting the results of individual past promotions and budgeting future promotions.
2. Budgeting and forecasting profit and loss statements for entire product lines or business units
3. Managing and forecasting cash flows

These tasks are required in all kinds of mail order companies, including clubs, continuity programs, catalog mailers and mail order sellers, promoting individual products or services through solo-mailings. Companies who use direct marketing as simply another marketing tool, but are not 100 percent direct marketing companies, will also find this framework useful in measuring the effectiveness of their direct marketing programs.

Measuring, Tracking, Forecasting and Reporting

The key to managing a successful direct marketing company is the ability to measure the effectiveness of past promotions and to reinvest promotion dollars in profitable products and profitable media. In order for this to happen, a reporting system must be in place that accurately traces costs and revenues to individual media investments.

Each individual media investment, be it a list, an advertisement in a magazine, or a radio or TV commercial, must be assigned a code (called a key code) so that all responses can be traced back to that investment. In addition, the individual cost elements must be carefully assigned to properly measure the total cost of the investment.

The simplest form of direct marketing is the solo promotion. Exhibit 14-1 identifies the cost and revenue variables associated with a direct-mail package costing $300 per thousand pieces mailed (CPM) and promoting a product with a $60.00 price (P). The $300/M mailing costs includes the variable costs of printing and mailing the piece (including postage) and list rental and list processing charges. In addition, it is assumed that a fixed payment of $15,000 (FC) was made to an agency or freelance creative person to create the mailing package.

Other cost elements include: the cost of the product being sold (PC), the cost of fulfilling the outgoing order (FF), the postage and delivery expense net of any shipping and handling charges billed to the customer (D), the

Exhibit 14-1
ELEMENTS OF THE DIRECT MAIL P & L STATEMENT

Variables		Symbol	Value	Comments
Quantity Mailed	=	Q	100	(In Thousands)
Fixed Promotion Costs	=	FC	15,000	
Orders per Thousand	=	OPM	20	
Variable Promotion	=	CPM	300	
Return Rate	=	RR	0.10	On Gross Shipments
Bad Debt Rate	=	BD	0.15	On Gross Shipments
Product Cost	=	PC	15.00	Per Gross Shipments
Net Delivery Expense	=	D	1.50	Per Gross Shipments
Fulfillment Expense	=	FF	1.00	Per Gross Shipments
Return Processing	=	RP	1.00	Per Return Unit
Refurbishing Cost	=	RF	3.00	Per Reusable Unit
Desired Profit Percent	=	PFT	0.20	Of Net Sales
Price	=	P	60.00	Per Gross Unit
Percent of Returns Reusable	=	PU	0.50	
Contribution to Overhead & Profit	=	C		

expected return rate (RR), the costs of processing a return (RP), the percent of returns that are received in a reusable condition (PU), the cost of refurbishing a usable return (RF), and the expected bad debt rate (BD).

Exhibit 14-2 shows the elements of the Direct Mail Profit & Loss Statement. The P&L accounts are shown in the first column, the calculations required to produce the separate revenue or cost items in the middle column, and the P&L values in the third column.

Exhibit 14-2
CALCULATING THE DIRECT MAIL P & L

		Equations	**Dollar Result**	**Comments**
Gross Sales	=	P×Q×OPM	120,000	
Returns	=	P×Q×OPM×RR	12,000	
Net Sales	=	P×Q×OPM (1−RR)	108,000	
Cost of Sales				
Product Shipped	=	Q×OPM×PC	30,000	
Credits to Inventory from Returns	=	Q×OPM×PC×RR×PU	−1,500	
Return Processing	=	Q×OPM×RR×RP	200	On Return Units
Refurbishing	=	Q×OPM×RR×RF×PU	300	On Return Units
Total cost of Sales	=	Total	29,000	
Gross Margin		Net Sales — Costs	79,000	
Operating Expenses				
Delivery	=	Q×OPM×D	3,000	On Gross Shipments
Fulfillment	=	Q×OPM×FF	2,000	On Gross Shipments
Bad Debts	=	Q×OPM×P×BD	18,000	On Net Sales
Fixed Promotion Costs	=	FC	15,000	
Variable Promotion	=	Q×CPM	30,000	
Total Expenses		TOTAL	68,000	
Contribution to Overhead and Profits	=	Margin — Expenses	11,000	

As can be seen from the above, each line of the direct mail P&L is a simple algebraic equation. Therefore, the entire P&L can be expressed as an equation, and, if we assume values for all but one of the variables, we can solve for the value of that one missing variable. For example, if we wish to calculate the contribution to overhead and profit resulting from the example shown above, we would set up and solve the following equation:

$$C = Q \times OPM\,[P(1-RR-BD) - (PC+D+FF) - RR\,[(RP + PU\,(RF - PC)]\,] - FC - (Q \times CPM)$$

In this equation, the element P(1−RR−BD) which equals 60.00 × (1−.10−.15), or $45.00, represents the value of each sale which will actually be collected after returns (RR) and bad debts (BD) are taken into consideration.

The element (PC+D+FF) represents the costs of shipping the product to the customer. In this case, this is equal to (15.00 + 1.50 + 1.00), or $17.50. The element (RR[(RP+PU(RF−PC)] represents the net cost of handling a return. Based on the values from the above example, this amounts to (.10[1.00 + .50(3.00−15.00)], or −$0.50. The negative cost indicates that each unit returned results in a profit of 50 cents per original unit shipped—because the value of the unit put back into inventory exceeds the cost of processing the return.

The element (Q×OPM) represents the number of gross units shipped. In this case, the number of gross units is equal to 100,000 pieces times 20 orders per thousand, or 2,000 units.

From the above, we see that each unit shipped results in a contribution of $28.00 (45.00 − 17.50 + .50). Therefore, 2,000 units shipped will result in a contribution to promotion, overhead, and profits of $56,000.

Since the cost of the promotion is equal to $45,000 ($15,000 fixed costs plus $30,000 variable costs (100M pieces times $300/M), the contribution to overhead and profit resulting from the promotion is $11,000—as originally shown in the P&L example shown above.

Similarly, the equation shown above can be manipulated to solve for (Q), the number of pieces that would have to be mailed, assuming a response rate of 20 orders per thousand, and all of the other costs shown above.

$$\mathrm{Q} = \frac{\mathrm{FC}}{\begin{gathered}\mathrm{OPM}\ [\mathrm{P}(1-\mathrm{RR}-\mathrm{BD}) - (\mathrm{PC}+\mathrm{D}+\mathrm{FF}) - \mathrm{RR} \\ [(\mathrm{RP}+\mathrm{PU}(\mathrm{RF}-\mathrm{PC})]\,] - \mathrm{CPM}\end{gathered}}$$

Or, given the quantity mailed, the equation can be solved to determine the response rate required to break even. This response rate measured in orders per thousand (OPM) is:

$$\mathrm{OPM} = \frac{(\mathrm{FC} + \mathrm{Q}\times\mathrm{CPM})}{\begin{gathered}\mathrm{Q} \times [\mathrm{P}(1-\mathrm{RR}-\mathrm{BD}) - (\mathrm{PC}+\mathrm{D}+\mathrm{FF}) - \mathrm{RR} \\ [\mathrm{RP}+\mathrm{PU}\ (\mathrm{RF}-\mathrm{PC})]\,]\end{gathered}}$$

The above analysis solved for a contribution to overhead and profit. The analysis can easily be expanded to include either a profit factor or an overhead factor equal to some percentage of net sales. If we call this profit factor (PFT) and net sales is equal to Q×OPM×P(1−RR), then all of the equations defined above can be adjusted to include the profit factor, as follows:

$$\begin{gathered}\mathrm{C} = \mathrm{Q}\times\mathrm{OPM}\ [\mathrm{P}(1-\mathrm{RR}-\mathrm{BD}) - (\mathrm{PC}+\mathrm{D}+\mathrm{FF}) - \mathrm{RR} \\ [(\mathrm{RP}+\mathrm{PU}(\mathrm{RF}-\mathrm{PC})]\,] - \mathrm{FC} - (\mathrm{Q}\times\mathrm{CPM}) - \\ [\mathrm{Q}\times\mathrm{OPM}[\mathrm{P}(1-\mathrm{RR})]\times\mathrm{PFT}]\end{gathered}$$

$$\mathrm{Q} = \frac{\mathrm{FC}}{\begin{gathered}\mathrm{OPM}[\mathrm{P}(1-\mathrm{RR}-\mathrm{BD}) - (\mathrm{PC}+\mathrm{D}+\mathrm{FF}) - \mathrm{RR} \\ [(\mathrm{RP}+\mathrm{PU}(\mathrm{RF}-\mathrm{PC})]\,] - \mathrm{CPM} - \\ [\mathrm{OPM}\times[\mathrm{P}(1-\mathrm{RR})]\times\mathrm{PFT}]\end{gathered}}$$

AND

$$\mathrm{OPM} = \frac{[\mathrm{FC} + (\mathrm{Q}\times\mathrm{CPM}) + (\mathrm{Q}[\mathrm{P}(1-\mathrm{RR})]\mathrm{PFT})]}{\begin{gathered}\mathrm{Q}\times[\mathrm{P}(1-\mathrm{RR}-\mathrm{BD}) - (\mathrm{PC}+\mathrm{D}+\mathrm{FF}) \\ - \mathrm{RR}\ [\mathrm{RP}+\mathrm{PU}(\mathrm{RF}-\mathrm{PC})]\,]\end{gathered}}$$

Thus far we have only concerned ourselves with the economics of simple solo-promotions. Solo-promotions are considered simple because they are short-lived. The entire promotion is over in a period of months. It is, therefore, fairly easy to accumulate costs and revenues and accurately measure the effectiveness of the promotion. Other forms of direct marketing, clubs and continuities in particular, are much more difficult to evaluate, because the entire economic cycle can take place over a period of years.

In both clubs and continuity programs, the measurement problem is the same. First, the costs of acquiring groups of members from different media sources must be captured and permanently recorded. This process, generally referred to as front-end analysis, requires the calculation of a cost per order for each promotional medium used. The equation for calculating cost per order is:

$$\mathrm{CPO} = \frac{\text{Total Promotion Expense}}{\text{Total Orders}}$$

The second part of this analysis, often called back-end analysis, is more difficult and requires computer tracking of the initial respondents so that a forecast can be made of the average expected contribution from the original starting group, expressed in terms of the average contribution per original starter.

If we call this contribution to promotion, overhead, and profit the order margin (OM), then we can define the order margin as:

$$\mathrm{OM} = \frac{\begin{gathered}\text{Total Expected Contribution to Promotion,} \\ \text{OH and Profit}\end{gathered}}{\text{Total Orders}}$$

in clubs and continuities, the average member may stay in a program for 12 to 24 months, with many starters leaving much sooner, and some starters staying almost forever. Naturally, a club or continuity program cannot afford to wait this long to report on the results of a particular mailing or magazine insertion. Therefore, forecasts of the order margin are generally made at the end of four to six cycles of activity. Decisions to remail, or to go back into a particular magazine, are made on the basis of these forecasts.

Of course, the final measure of profitability is neither the cost-per-order or the order margin, but the combination of the two statistics. The contribution to overhead and profits is measured by the difference between the order margin (less any premium or gift expense) minus the cost-per-order.

Contribution to overhead and profits is a useful measurement tool because it combines both front-end and back-end statistics. All too often in direct-response marketing, decisions are made on the basis of front-end results only. This generally happens because front-end results are easy to obtain, while back-end results take more skills and time to accumulate.

As useful as the contribution statistic is, it is not useful as a measurement of relative profitability. Very often direct marketers are faced with the decision of choosing among two or more profitable media investment opportunities. The example shown in Exhibit 14-3 demonstrates that the highest rate of return does not always come from the investment opportunity with the highest contribution to overhead and profit.

Investment (A) results in a $10.00 CPO; a $20.00 order margin and a $10.00 contribution. Investment B produces a $16.67 CPO; a $30.00 order margin and a $13.33 contribution. Investment (A) results in a total contribution of $10,000, and investment (B), the investment with the higher order margin, produces only $8,000 in total contribution.

An easier way to rank investment opportunities, other than calculate the total contribution from each opportunity, is to calculate each invesment's return on promotion (ROP).

Return on promotion is calculated by subtracting the cost-per-order from the order margin (less gift expense), and dividing the result by the cost-per-order. Conceptually, you may think of the cost-per-order as an investment, and the order margin as the return stemming from that investment. Naturally, the investment itself has to be recovered before any contribution to overhead and profit is possible.

Therefore:

$$\mathrm{ROP} = \frac{\text{Order Margin — Gift — Cost-Per-Order}}{\text{Cost-Per-Order}} \times 100\%$$

Exhibit 14-3
USING ROP TO EVALUATE INVESTMENT OPPORTUNITIES

	Case A	Case B	Comments
Media Investment	10000	10000	Given
Starters	1000	600	Given
CPO	10.00	16.67	Media Investment ÷ Starters
Order Margin	20.00	30.00	Given
Contribution to OH × Profit Per Starter	10.00	13.33	Order Margin — CPO
Total Contribution to OH × Profit	10000	8000	Unit Contribution × Starters
ROP Percentage	100	80	(Contribution to OH × Profit ÷ CPO) × 100

Sophisticated mail order companies, particularly clubs and continuity operations, have systems which forecast the expected ROP for all of their past media investments. These individual forecasts of ROP make up a mail order company's database of past performance. From this database, a mail-order company can make rational decisions as to how to invest future promotion dollars—which brings us to our second subject.

Budgeting and Forecasting the Profit and Loss Statement

In most mail order companies, the annual budgeting process begins with a forecast of the future sales and profits that can reasonably be expected from the existing customer list, or house file, without consideration of additional new member or new customer acquisition programs. In other words, what would next year's sales and profits be if no new customer activities were made—if we simply "mined" the current list?

For a club or continuity business, this is a relatively easy question to answer, with the aid of a computer, knowledge of past attrition patterns (the rate at which customers can be expected to leave a program), and buying patterns (the rate at which the remaining customers can be expected to purchase).

In a continuity operation, the price of the periodic shipment has been established, and, barring a decision to increase prices, the key forecasting questions are the expected attrition rates, return rates, and bad pay rates. Given a good database of information regarding past patterns, the forecasting problem becomes simply a problem of "crunching" the numbers. Of course, the more information one has about the existing membership base, the more accurate the forecast can be, provided the computer systems are in place to process the data.

For example, continuity marketers know that members recruited from direct mail will generally behave better (buy more and pay for more) than members recruited from space advertising; that space-recruited members will, in turn, perform better than members recruited from TV broadcast media; and so on. Therefore, a forecasting system that can take these and a host of other differences into account will naturally produce a more accurate forecast.

Companies in the negative option club business have a more difficult forecasting task. In addition to all of the above, the prices and the acceptance rates of future selections must also be forecasted. Often, the actual products to be offered to the membership will not be known more than a few months in advance, so forecasting programs must rely on assumptions as to how future performance will compare to past performance.

Mail-order catalog companies face an even more difficult forecasting job. In addition to all of the product selection, acceptance, and pricing problems faced by a negative option club, a mail-order catalog operation must decide how many catalogs to mail during the coming year, and to whom.

One answer, after deciding on how many different catalogs to produce (itself a very difficult economic decision), is to mail every catalog to every customer on the house file. But, catalog operators long ago discovered that the probability of any house-file customer buying from the next catalog mailed is not the same for all names on that file.

What's more, this probability can be measured, or at least estimated, by statistically looking at such variables as: the length of time since the last purchase, the value of the last purchase, the value of all purchases over a series of given time intervals, the number of purchases made within specified periods of time, the kinds of products purchased in the past, the original source of the name, census-gathered demographic information, and survey information provided by the customer.

The statistical tools used to evaluate this information can vary from simple sorts—combining all customers who purchased $X.XX worth of products within the last X months, and comparing their behavior to that of other selected groups—to very sophisticated multi-variate analyses. A thorough discussion of the statistical techniques available to catalog mailers is beyond the scope of this article, but the point to be stressed is that financial analysis covers much more than the simple calculation of the profitability of a single mailing.

Now let us return to the subject under discussion, P&L forecasting, and let's assume that a plan to market to the existing customer file has been approved and budgeted for, and that a forecast of the expected sales and profits resulting from that plan has been made. A plan to recruit new customers or members from outside media must now be designed and approved. Generally, new club, continuity or even catalog customers will be recruited at a first year's loss to the business. Again, the mail order company is making an investment in new business, in new club members, in catalog buyers.

The role of financial analysis in this situation is to develop a new customer acquisition plan that will be profitable over the long term and to forecast the impact of that plan on the current year's fiscal results. Very often, the most profitable long-term plan will not be chosen because of its affect on the current year's forecast.

This balancing act, weighing long-term profitability against short-term profits, is a key activity of the direct marketing financial analysis department. The key tool at the disposal of the financial analyst is the ROP history file described above. As a very first step, the analyst will attempt to budget promotions with the highest ROP. To the extent that funds are available to invest in profitable promotions, the analyst will recommend doing so, until the point where the expected ROP is equal to the company's cut-off rate or cost-of-capital.

Very often, the budgeting scenario begins with a forecast of what would happen if the company invested in all opportunities with an expected ROP greater than the cut-off rate. If this scenario results in an acquisition budget that can be financed, and an acceptable projected statement of profit or loss, then the new member acquisition plan may be approved. More often than not, the company will not be able to finance all of the opportunities available to it, or will not be willing to take the risk required to do so, or will find the resulting projected P&L to be unacceptable.

When this happens the process of pruning the new member-acquisition budget begins, and the process will end when a reasonable, affordable, and acceptable P&L forecast is achieved.

Thus far, we have concerned ourselves with the measurement of profit, be it the profit from a single promotion, from a group of members over their economic lives, or the profits from an entire operating division over the course of a fiscal year. However, financial analysis is equally concerned with the forecasting and the management of cash.

Managing and Forecasting Cash

Financial analysts and even general managers employed by mail-order divisions of major corporations are frequently more concerned with reported profit than with cash; the assumption being that "the company" will finance any activity that is profitable. Smaller mail-order companies more clearly understand that profits are only half the battle, at best. In fact, more companies probably fold or are forced to sell because of poor or inadequate financing, than because of the underlying profit potential of the business.

Office space and warehousing facilities have to be rented, salaries paid, inventories purchased, promotions made, etc., all in advance of the first sale, which then may take 60 to 120 days (if not longer) before turning into cash. Therefore, financial analysts spend, or should spend, an equal amount of their time forecasting cash receipts and disbursements.

Again, mail order catalog companies have the most difficult tasks to perform because of the large number of products that must be kept in inventory. Accurate estimates of sales and delivery lead time are critical to the success of any mail-order business. Too small an inventory will result in costly back-order situations and unhappy customers. On the other hand, over-stocking and unsold merchandise will certainly result in eventual bankruptcy. Understanding the business, the ability to forecast and closely manage inventories, receivables and cash are the keys to success in the direct-marketing business.

Finally, experience has proven that any company wishing to enter the mail-order business, be it a new club, catalog, continuity business, or magazine, should be prepared to sustain a cash loss of at least one million to three million dollars. You may be able to do better, but it's always best to plan for the worst.

15

Government Regulations and Legislation

by Jonah Gitlitz, Ann E. Zeller, and Julie S. Crocker
DMA, Washington

Privacy

1. Use of Lists

Sensitivity to privacy concerns continues to raise periodic problems regarding access to mailing lists. Invasions of privacy during the Watergate era led Congress to pass the Privacy Act of 1974, which, in turn, created the Privacy Protection Study Commission (PPSC). This Commission was charged with examining list rental and exchange practices and deciding whether or not "an organization engaged in interstate commerce should be required to remove from its mailing list the name of an individual who does not want to have his name on it."

The PPSC issued its recommendations in 1977, stating that mandatory federal legislation to regulate use of mailing lists was not necessary at that time. However, the Commission urged mailers to disclose, voluntarily, their rental practices and to give individuals an opportunity to have their names removed from lists before rental takes place. The state governments were urged to survey their name rental practices, also, with particular emphasis on the lists of the motor vehicle departments.

DMA worked closely with the Commission for two years including testifying at hearings.

The privacy issues involved with access to state controlled lists continue to be a major DMA concern. Moreover, renewed interest in list access in some states and, also, at the Federal level, has been generated by the emergence of cable TV and the new technologies. While this phenomenon is introducing new and exciting marketing opportunities, it is also giving rise to proposals to limit access to potentially valuable cable subscriber lists. DMA has been involved at both the Federal and state levels to oppose or appropriately amend proposals to restrict access to subscriber names and addresses and other individually identifiable information.

2. Role of the Mail Preference Service

Perhaps the main reason the Privacy Protection Study Commission stated that no federal legislation was needed in the list rental area was due to the existence of the Mail Preference Service. This service, begun in 1971, offers consumers the chance to be added to or removed from lists before rental takes place. Initiated, maintained, and promoted by DMA, MPS has achieved great acceptance by consumers and by agencies dedicated to assisting consumers, such as the Federal Trade Commission, USPS, The White House Office of Consumer Affairs, and state consumer affairs departments.

Interestingly, over the years, more consumers have asked to be added to lists than to be removed from them. In fact, starting with the gasoline shortages of the late 1970s, the ratio of those asking to be added vs. those wanting name removal has jumped to two to one. Since July 15, 1981, 100,798 families have asked to have their names removed, compared to 251,115 individuals who asked to be added on.

DMA also has urged individual companies to follow the other recommendation of the PPSC, which is that companies disclose their rental practices to their customers. Individual visits, use of a film called "Privacy, Freedom and the Mails," and wide distribution of a booklet entitled, "Do You Want the Freedom to Mail or Do You Want the Government to Run Your Business" all contributed to this educational process. Experience has shown that disclosure notices have produced only a small percentage of people who ask to have their names removed. In fact, a list which has been purged of those not wanting to receive advertising mail becomes more valuable than one which has not been run against the DMA master tape.

3. Access to State Lists

While the Federal government cannot mandate legislation for individual states, the PPSC did recommend that the use of state lists be scrutinized. The number of bills which would restrict use of motor vehicle registration and licensed driver lists has escalated in recent years ranging from 20 to 30 a year. In addition, proposed restrictions on the release of voter registration lists and lists of professionally licensed individuals maintained by the states have also surfaced. DMA is fighting hard to keep these lists available for rental, marshalling support from member companies located in appropriate states and employing lobbyists as needed. These joint efforts were particularly successful this past year in Illinois and Kansas, where testimony from DMA and members companies was influential in determining the favorable outcome in two important list issues.

4. How To Keep a Name Off A Mailing List[1]

"If an individual does not want to receive unsolicited direct mail he can keep his name off most lists by becoming a modern-day hermit—by paying cash for all his purchases, not owning a car, giving to charities anonymously, always buying magazines at newsstands, never responding to a door-to-door survey, never signing a petition or a guest book, never registering to vote, and never attending a meeting, conference, or newsworthy social event. Even so, he may still get a certain amount of unsolicited mail addressed to 'Occupant,' but not much because 'Occupant' mailings are not selective enough for most mailers.

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[1] Excerpted from the July 1977 Privacy Protection Commission's "Report on Mailing Lists."

"There are, to be sure, less anti-social ways for an individual to choke off his direct mail traffic, provided he knows of them. The Commission learned of four others: an individual can send a personal letter of objection to every organization he suspects is renting or otherwise making his name available to direct mailers; he can exercise the 'negative check-off option' that some organizations offer him; he can lodge his request not to receive mail with the Mail Preference Service, a centralized delisting program operated by the Direct Mail Marketing Association; and he can use the delisting service the Post Office maintains for individuals who do not want to receive obscene advertising. What he must NOT do, if he wants his correspondence to have any effect, is write to the organization that sends him unsolicited mail without having first established a relationship with him, because, as explained earlier, the user of a list normally does not have his name until he responds to its advertisement or solicitation. Moreover, he must NOT ask that his name be REMOVED from the mailing list, but rather that in the records used to develop the mailing list a notation be put *next* to his name indicating that he does not want it to be used for direct mail marketing or solicitation. That will assure that his name will be omitted from any list another organization is permitted to use."

Federal Trade Commission

Because the industry is growing at an unprecedented rate, increased Federal monitoring and enforcement presence can be expected. This may mean FTC actions for civil penalties against businesses who fail to comply with the Commission's rules affecting direct marketing.

At the same time, the FTC is working together with industry to encourage effective self-regulation. For example, DMA in a joint venture with the FTC launched the first of its kind consumer education program on shopping by mail with the 1981 publication of the booklet "Make Knowledge Your Partner in Mail Order Shopping."

The booklet, which is available from DMA or the FTC, informs consumers about their rights and offers tips on mail order shopping. It advises consumers to check a company's return policy before ordering, to keep complete records of orders, never to send cash through the mail, what to do if a prepaid order does not arrive when promised, what "negative option" means and more.

DMA has also cooperated with the FTC Bureau of Consumer Protection in its more recent publication of the "Business Guide to the FTC's Mail Order Rule." DMA served as a resource to review the FTC's original copy of the Guide and to provide comments and editing recommendations.

The Guide, issued in 1983, is designed to assist businesses in complying with the Commission's Mail Order Rule. It clarifies the Rule's intentions and straightforwardly explains mail order sellers' responsibilities under the Rule. Several excerpts from the Guide and sample option notices are included in the following section detailing the requirements of the Mail Order Rule.

The Business Guide is, also, available from both the DMA or the FTC.

1. Delayed Delivery of Mail Order Merchandise (30-Day Rule)

Violation of this FTC rule, which went into effect on February 2, 1976, is an unfair method of competition and a deceptive practice.

The Mail Order Rule *covers* merchandise ordered by the buyer through the mails. In addition to direct mail advertisements, the Rule also covers solicitations by space advertising, radio, television, catalogs, telephone, etc., that are asking for mail order purchases.

The Rule does *not apply* to orders of seeds and growing plants, C.O.D. orders, negative option plans, or credit transactions where the seller does not charge the buyer's account prior to shipment and photoprocessing. In addition, the Rule does not cover charges to a credit card account, when the order is placed over the telephone and charged to a credit card number.

The Rule:

Unless there is a reasonable basis to believe goods will be shipped within 30 days of receiving a properly completed order, an advertisement should include a clear and conspicuous notice of the time in which the seller expects to make shipment. "Please allow eight weeks for delivery" is an example of a proper notice. If no notice is given, the Rule stipulates that shipment must be made within 30 days. Procedures are also provided to enable buyers to cancel for delayed delivery and obtain a refund.

When does the 30-day period start?

Upon receipt of a properly completed order. With any sale, the 30 days start when an order is received containing all the information needed to process and ship the order. In a credit sale, the order is properly completed when the seller charges the buyer's account. In a non-credit, or cash sale, the order is properly completed when the seller receives full or partial payment.

Notice of Delayed Shipment

If shipment cannot be made within the implied 30-day period, or the stated period, a notice of revised expected shipment date *must* be sent to the buyer:

- By first class mail before expiration of the original 30-day period
- With a postage-paid reply form for the buyer
- Notifying him of the revised shipping date and offering the option of consenting to the delay or of cancellation and a refund
- Informing him that unless the seller receives—prior to shipment and expiration of the revised date—a response rejecting the delay, the buyer will be deemed to have consented to the delayed shipment

Delay of 30 Days or Less

No reply by the buyer means acceptance of the new delivery date.

Delay of More than 30 Days

No reply within the 30-day period must be treated as a request for cancellation and refund. If the revised shipping date cannot be met, a second notice must be sent offering the buyer the same options. With the second notice, no reply within 30 days requires a cancellation and refund (unless shipment has been made).

Refund

Cash sale: sent within seven working days of receipt of a request for cancellation or the date of implied cancellation, by first class mail. It must be with a check, cash or money order and cannot be a credit slip for other merchandise.

Credit sale: removal of the charge on the buyer's account must be within one billing cycle from receipt of the request for cancellation or the date of implied cancellation.

Systems of Compliance

The rule requires records, or other documentary proof, establishing that systems and procedures assure shipment in the ordinary course of business in the time period advertised; or, if none is stated, within the implied 30-day period.

Lack of documentary proof of an established system, raises a rebuttable presumption: namely that the seller lacked a reasonable basis for any expectation of making shipment within the implied or stated time.

Answers To Most Commonly Asked Questions About The "Mail Order Merchandise" Rule

Why did the Federal Trade Commission promulgate this regulation?

The Commission felt that the quantity of complaints they had on hand, in addition to reports they were receiving from various consumer affairs offices in states around the country, indicated there was a widespread failure of consumers to receive merchandise, to receive merchandise in the time they expected to receive it, or to get answers to inquiries about where that merchandise was or how long the delay would last. In fact, a good number of complaints dealt with non-delivery rather than with delayed delivery, and thus involved companies that were out of business, illegitimate, etc. The same was true regarding requests for refunds.

What information does the Rule require me to include in my solicitation?

You must indicate when you expect to be able to ship the order, and you must have a reasonable basis to make that representation. The expected shipment time must be stated in a clear and conspicuous manner. If you do not indicate a time period, it is assumed that you are promising to ship within 30 days of receipt of a properly completed order, and have a reasonable basis to meet that shipment time as well.

What does the Federal Trade Commission mean by "clear and conspicuous?"

The rule does not specifically define "clear and conspicuous," therefore good judgment is necessary to avoid violating the spirit of the regulation.

What does reasonable basis mean? How do I establish I had a reasonable basis?

You draw on past experience from your fulfillment operation and operation schedules, among other possibilities. You may rely on records to indicate your expectation was indeed a reasonable one.

How can I announce expected shipping time in a catalog where the delivery time may vary greatly depending on the item? Do I have to put an expected delivery time to each item?

You will be interested to know that the FTC doesn't consider this to be a major problem. They suggest that in most catalogs the great majority of items will be delivered in a time frame that could be on the order form. Those items that take longer should be referenced in some way and the delivery time also indicated in a conspicuous place.

Does the rule apply as soon as the order is received?

Yes, but remember the Rule specifies the receipt of a "properly completed order." The Rule indicates that a properly completed order takes place when the seller charges the buyer's account, receives full or partial payment, with an order that contains all the information necessary for the seller to process and ship the order. Thus, the seller would not be responsible for orders that are illegible, have an incomplete name or address, or contain improper remittance. It is in the interest of sound business practice to inform the consumer when orders are found to be incomplete. It is wise to retain those incomplete orders so that it can be demonstrated to the Commission how often such an occurrence takes place. Good record keeping, also, protects the seller if a consumer who sent in an incomplete order complains to the FTC. Furthermore, it is ill-advised to cash checks received with such orders.

Are credit transactions covered?

Yes. When you receive a properly completed order with a charge account number, the Rule's clock starts when you charge your customer's account.

What happens when a check or money order remitted by the buyer is dishonored or in some other way doesn't qualify for a credit sale?

This would not be a properly completed order until the time at which: (1) the seller receives notice that a check or money order for the proper amount tendered by the buyer has been honored, (2) the buyer tenders cash in the proper amount or the seller receives notice that the buyer does qualify for a credit sale.

Are magazines covered by the regulation?

The first issue of a magazine is covered by the regulation but the Rule does not apply to subsequent deliveries since the FTC could find no basis for a problem in this area. Problems were with the commencement of magazine subscriptions.

Are premium offers covered by the Rule?

Yes. The FTC refused to accept arguments that the item involved is often valued at less than $10 and that notification of a delay requirement would almost destroy the premium advertising business. They indicate that 43% of the items for which they had complaints sold for less than $10.

Are mail order sales between businesses covered by the Rule?

Yes. Mail order transactions between businesses are covered. This would include specialty items such as calendars, pens, and ashtrays which bear advertising messages and are not sold to the general public.

Does the Rule apply to customized or made-to-order merchandise?

They too must comply with the regulation.

Are services connected with merchandise covered by the Rule?

No, they are not. However, the Commission has indicated that businessmen should not regard the fact that services are not covered to be interpreted as a finding "by the Commission that mail order services connected with a merchandise are not subject to abuses which constitute violations of the Federal Trade Commission Act or as a statement that the Commission will not address any such abuses in the future."

When I realize I am not going to be able to ship the merchandise within 30 days, or the length of time I indicated in my solicitation, when must I send the customer the delay notice?

The notice—giving the buyer the option to consent to the delay or cancel the order and receive his refund—must be made within a reasonable time after you realize you are unable to meet the commitment but not later than the time set forth in your solicitation, or 30 days if no time is stated.

What is required of me in my delay notice?

You should use a business reply device. You must have a reasonable basis for the revised shipping date you give. If you don't have a reasonable basis for making any representation regarding a definite revised shipping date, you must inform the buyer of the reasons for the delay.

You said you should use a business reply postage paid device. Is a postage prepaid device or business reply mail the only way to get permission of a delay or give the buyer the option to cancel?

Not really. Even though the Rule establishes a rebuttable presumption that failure to provide the buyer with a business reply mail or postage prepaid device implies the compnay has failed to provide adequate means to notify or cancel. However, The Commission has indicated this is their way of providing guidance. It does not prohibit sellers from providing other means which are of *equal or superior efficacy* to the method prescribed by the rule.

Once I determine I will be unable to deliver on time, must I proceed with the option cards, etc., or can I just cancel the order?

No. The Rule does not deny you the right to cancel a buyer's order and refund his money rather than go through the option procedures, but state laws may and your legal counsel should check.

Note the following sample option notices appearing in the FTC publication, *The Business Guide to the Mail Order Rule.*

Dear Customer:

Thank you for your order. We are sorry to inform you that there will be a delay in shipping the merchandise you ordered. We shall make shipment by the revised shipping date of (   ). It is quite possible we could ship earlier.

You have the right to consent to this delay or to cancel your order and receive a prompt refund. Please return this letter in the enclosed postpaid envelope with your instructions indicated by checking the appropriate block below.

Unless we hear from you prior to shipment or prior to the revised shipping date, it will be assumed that you have consented to a delayed shipment on or before the definite revised shipping date stated above.

Sincerely yours,

Name & Title of Signer
Company Name
Address

Enclosure: Envelope

☐ Yes, I will accept a further delay in shipment of my order for this item until

____
(Insert date which is 30 days or less.)

☐ I cannot wait. Please cancel my order for this item and promptly refund my money.

____
Please Sign Here

When my first delay notice is sent out, what happens when I don't hear back from the customer?

When the delay notice contains a revised delivery date not more than 30 days from the original time you promised, failure to hear from the customer means he has consented to the delay.

What if I was unable to give him a definite revised shipping date, or I gave him a date more than 30 days in my option card?

Failure to hear from the customer still allows you 30 extra days from the time you originally promised in your solicitation. After those 30 extra days you must then deem the order cancelled and refund the money, if you have not received express consent or not been able to ship.

If the revised shipping date cannot be met, a second notice must be sent offering the buyer the same options. With the second notice, no reply from the customer within 30 days must be treated as a request for cancellation and refund (unless shipment has been made). The FTC Guide offers these examples:

Dear Customer:

We are sorry to inform you that there will be a further delay in shipping the merchandise you ordered. We shall make shipment by (new definite revised shipping date). It is quite possible we could ship earlier.

You have the right to consent to a further delay or to cancel your order and receive a prompt refund. Please return this letter in the enclosed postpaid envelope with your instructions indicated by checking the appropriate block below.

Unless we hear from you prior to the old shipping date to which you previously agreed, it will be assumed that you have rejected any further shipping delay and your order will be canceled and a prompt refund made.

Sincerely yours,

Name & Title of Signer
Company Name
Address

Enclosure: Envelope

☐ Yes, I will accept a delay in shipment of my order for this item until

(Insert date which is 30 days or less.)

☐ I cannot wait. Please cancel my order for this item and promptly refund my money.

Please Sign Here

Can I go back to the customer again and ask for a further delay if my second revised shipping date also ends up being wrong?

Yes you can. In "multiple delay" situations, the seller cannot construe silence of the buyer as consent to further delay.

Can I ask the buyer to consent to an indefinite delay?

Yes. However, the Rule gives him a continuing right to cancel the order *at any time* prior to the point you actually have made shipment, as long as it is after any date to which he previously agreed.

What is the FTC policy on substitution of merchandise?

According to the FTC, substitution of merchandise is allowable only under these conditions:

1) A clear statement is made in the original order form or ordering instruction that the company reserves the right to substitute merchandise of comparable quality and price.
2) In the absence of such a statement, a company must notify the customer and receive authorization to send the substitution.

When a refund to the buyer is necessary, what exactly is the definition of a refund? Would a credit voucher suffice?

No. If the buyer has sent full payment in the form of cash, check or money order, the money must be returned in that form. If it was a credit sale, and the seller is the creditor, a copy of a credit memorandum or an account statement which reflects the removal or absence of any remaining charge is necessary. If a third party is the creditor, the seller must send a credit memorandum or similar document to the third party creditor, to remove the charge, with a copy to the customer. Another method would be to have a statement from the seller acknowledging the cancellation of the order and relating that "no action" will be taken regarding the order which would result in a charge to the buyer's account with the third party.

What does the term "prompt refund" mean?

It depends. If the seller is making a refund in cash, check or money order, it must be sent to the buyer by first class mail within seven working days of the date on which the buyer's right to the refund began. In the case of a refund, when the purchase was made by credit and the seller is the creditor or there is a third party creditor, the refund must be sent to the buyer by first class mail within one billing cycle from the date on which the buyer's right to the refund began.

What do I do in states that have their own delayed delivery rule which is not consistent with the FTC Rule?

The Rule does not diminish any rights or remedies provided to consumers by any state law, municipal ordinance, or other local regulation insofar as those rights or remedies are equal to or greater than those provided by the FTC rule.

What actually happens when the FTC receives a complaint against a company?

The FTC checks to see whether the company has been advised of the Rule's requirements. If not, then a copy of the Rule with an explanation letter is usually sent to the firm. The FTC evaluates consumer complaints to see whether a pattern of violations is developing. The FTC then contacts the company to determine whether further action is necessary.

2. Credit

The Federal Trade Commission (FTC) has some major enforcement responsibilities in the area of credit regulations affecting all businesses. A summary follows.

Fair Credit Reporting Act. Effective in 1971. The Fair Credit Reporting Act (sometimes referred to as "FCRA") is the first federal regulation of the consumer reporting industry. Its basic purpose is to insure that consumer reporting agencies exercise their responsibilities with fairness, impartiality, and a respect for the consumer's right to privacy. The law requires consumer reporting agencies to adopt reasonable procedures for providing information to credit grantors, insurers, employers and others in a manner that is fair and equitable to the consumer with regard to confidentiality, accuracy, and the proper use of such information.

The FCRA is primarily designed to regulate the consumer reporting industry and place disclosure obligations on users of consumer reports. For the most part, the consumer reporting industry is comprised of credit bureaus, investigative reporting companies and other organizations whose business is the gathering and reporting of information about consumers, for use by others in making a decision concerning whether to grant credit, underwrite insurance or employ the subject of such reports.

Users of consumer reports must inform consumers when adverse action (such as denial of credit, insurance or employment) is taken on the basis of such report, and the user must identify the consumer reporting agency making the report.

While the FCRA establishes a statutory code of conduct for the consumer reporting industry, a business which collects its own information is not regulated as a consumer reporting agency. Moreover, information which is reported by one business to another is not considered to be a consumer report when that information is the reporting company's own experience (for example, "My records reflect that Mr. Jones was late on 8 of 12 payments"). However, when a businessman regularly reports information other than his own experience, that may constitute a consumer report within the meaning of the FCRA; (for example, "I have no file on Mr. Jones, but I know that he has a poor record of payment at the bank").

The information need not be derogatory to constitute a consumer report. Any information, good or bad, written or oral, that bears on a consumer's creditworthiness, credit standing, credit capacity, character, general reputation, personal characteristics or mode of living will be a consumer report if it is:

- Used or expected to be used
- Collected in whole or in part

for the purpose of considering the consumer's eligibility for consumer credit, insurance, employment, or other authorized business purposes.

Special rules apply to the type of consumer reports that involve personal interviews with third persons who may have knowledge about the consumer's character, general reputation, personal characteristics or mode of living. These are referred to as "investigative consumer reports," and, as a rule, the consumer is entitled to be informed when he may be the subject of such a report.

In February, 1973, FTC issued six final interpretations which in essence state that the Act:

- Prohibits publication and distribution by credit bureaus of books containing consumers' credit ratings, called "credit guides," unless encoded to insure consumers' anonymity.
- Allows the use of certain kinds of "protective bulletins" which identify check forgers, swindlers and the like—so long as no information in them is reasonably expected to be used in establishing the subjects' eligibility for credit, insurance or employment.
- Requires that consumers be informed by prospective lenders when they are denied credit on the basis of information furnished by loan exchanges or loan exchange members.
- Requires that when an insurance company uses a state motor vehicle report to deny or increase the cost of a consumer's insurance, it informs him of that fact and of the state agency's identity.
- Permits consumer-reporting agencies to pre-screen prospects' names for creditworthiness for direct mail solicitations, so long as the user certifies that every person on the list furnished by the credit bureau will receive an offer to enter into the particular business relationship involved.
- Concludes that reporting activities of federal agencies such as the Office of Personnel Management will not be included within the scope of the FCRA.

Truth in Lending Act—Regulation Z. Became effective July 1, 1969. The most pertinent section for all companies dealing in any way in consumer credit selling (includes credit cards) is Regulation Z. Regulation Z is administered by nine government agencies. However, for retail, department stores, consumer finance companies, and all credit card companies, the administering agency is the FTC. Banks are responsible to various agencies depending on their incorporation.

The major purpose of the Act is to assure that every customer who has need for consumer credit is given meaningful information with respect to the cost of that credit. Other relevant credit information must also be disclosed so that the customer may readily compare the various credit terms available to him from different sources and avoid the uninformed use of credit. A further proviso gives the customer, under certain circumstances, the right to cancel a credit transaction. Advertising of consumer credit terms must comply with specific requirements; credit issuance and the limits on the cardholder's liability for unauthorized use of a credit card are also covered.

Fair Credit Billing Act. Became effective October 26, 1975, as an amendment to the Truth in Lending Act. It is enforced by the FTC.

The Act applies only to "open end" credit plans. For purposes of the Act, "open end" credit covers all consumer credit extended by use of a credit card, as well as most other types of revolving credit, including department store charge accounts and line of credit plans such as overdraft checking. The Act does not apply to installment loans or purchases (such as cars or homes) which must be paid according to a set schedule of installments.

The Act, in addition, sets up a billing dispute settlement procedure which allows the consumer to question what he believes are billing errors on periodic statements. The creditor must acknowledge within a specified time frame the consumer's inquiry and promptly correct errors or explain why the creditor believes the statement is correct. The Act establishes a dispute procedure and insures that consumers are made aware of it as well.

Equal Credit Opportunity Act—Regulation B. Became effective October 28, 1975 as an amendment to the Truth in Lending Act. It is enforced by the FTC and provides that a creditor may not discriminate on the basis of race, color, religion, national origin, sex, marital status or age.

Other provisions in the Act:

- Credit scoring on the basis of marital status is prohibited.
- Reasons for denying credit must be furnished to the applicant for credit.

- Limitations permitted the creditor concerning "family" or "joint" accounts.
- Alimony and child-support payments must be considered when assessing an applicant's creditworthiness.
- Creditors are not permitted to inquire whether an applicant intends to have children.
- Creditors are not permitted to discount any part of a person's income because of sex or marital status.
- Accounts used by both a husband and wife must be maintained in both their names.

3. Fraud and Deception

Mailing of Unordered Merchandise — For purposes of the prohibition against the mailing of "unordered merchandise," that term is defined as merchandise mailed without the prior expressed request or consent of the recipient.

Except for free samples (clearly and conspicuously marked as such) and merchandise mailed by a charitable organization soliciting contributions, the mailing of unordered merchandise constitutes an unfair method of competition and an unfair trade practice in violation of Section 5 of the FTC Act. Also Section 3009 of the Postal Reorganization Act (39 U.S.C.) prohibits the mailing of practically all types of unordered goods.

Therefore any merchandise mailed in such a violative manner may be treated as a gift by the recipient, who shall have the right to retain, use, discard or dispose of it in any manner he sees fit without any obligation whatsoever to the sender. Accordingly, all such merchandise shall have attached to it a clear and conspicuous statement informing the recipient of those rights.

It is a separate violation for a mailer of unordered merchandise to mail to any recipient of such merchandise a bill for such merchandise or any dunning communications.

Deceptive Pricing — The basic objective of the FTC-published Guides, currently in effect, is to enable the businessman to advertise his goods honestly and to avoid offering the consumer nonexistent bargains that will be misunderstood. The Guides are not fixed rules but, rather, practical aids to the businessman who desires to avoid deceiving the consuming public. They cover:

- Former price comparisons: The former price must be the actual price at which the article was offered to the public on a regular basis for a reasonably substantial period of time. There need not have been any sales at the former price.
- Retail price and value comparison: The seller must be reasonably certain that the higher price is the price at which goods were sold in substantial quantities in the sales area, that it is a genuine bargain or savings, and that if the price comparison is not for the same goods, it must be disclosed that the goods are similar but not the same.

The Guides also include lengthy discussions in the areas of miscellaneous price comparisons, advertising retail prices which have been suggested by manufacturers, and bargain offers based upon the purchase of other merchandise.

New Or Rebuilt — The FTC issued a policy statement, January 4, 1969, concerning merchandise that has been used by purchasers on a trial basis, returned to the seller, "refurbished" and then resold as new. Usually, no disclosure of previous use is made to the ultimate purchaser.

The FTC stated that the consuming public has a preference for new or unused products compared to those that have been previously used. Qualitative equivalence does not change the fact that substitution of a used product for a new one without disclosing such fact is unlawful. Clear and conspicuous disclosure of prior use must be made in all the marketer's advertising, sales promotional literature, and invoices concerning the product, on the container in which the products are packed and, if the product has been refurbished or otherwise has the appearance of being new, on the product with sufficient permanency. The FTC suggested that the marketers of products maintain adequate inventory control records to enable them to demonstrate that returned merchandise applies only to merchandise that has been used, and not to merchandise that has merely been inspected but not used.

Subject to varying circumstances, a tentative outer limit of six months has been established for designating a product as new.

"New" after period of time — The time period during which a particular product may be called "new" will depend upon circumstances and is not subject to precise limitations. Considering the absence of precedent, the Commission thought it preferable to establish a tentative outer limit for use of the claim "new," namely, six months. The general rule would apply, unless exceptional circumstances warranting a period of time either shorter or longer than six months were shown to exist. *Advisory Opinion No. 120.*

After reconsidering its tentative six month limit on the permissible period of time during which a product may be called "new," the Commission stated that the rule had not been in effect long enough to determine whether a change would be required but added that a marketing program which lasts for more than six months and covers less than 15 percent of the population would not disqualify an eventually widely marketed product from being called "new." *Advisory Opinion No. 146.*

It was deceptive to market as "new" ten-year-old equipment, even though the equipment had never been used and was still in the original shipping cartons. The company was not the original manufacturer and had recently been licensed to manufacture similar equipment. *Advisory Opinion No. 325.*

Reference books should not have been described as new when they were composed in substantial part of material reprinted from another, or as up-to-date when based on statistics over 15 years old and when terminal dates for histories go back approximately ten years. The FTC said in its opinion:

"That use of the term 'new' or 'completely new' to designate a reference publication, composed in substantial part of material reprinted from another, being contemporaneously marketed under another title, has the capacity and tendency to deceive is, therefore, obvious and requires no further comment. On the other hand, the order contained in the initial decision appropriately recognizes the respondents' right to make truthful and nondeceptive statements in the future respecting newness in the manner of presenting constituent information.

"Whereas the book has a 1957 copyright and introductory material identifies it as complete in scope and up-to-date in statistics and population figures, it appears from their testimony that the census data used in many instances were those for the year 1940. Also, the terminal dates for certain of the political and economic histories on foreign countries go back to the late 1940s and early 1950s."

"New" to marketing area — In advertising "newness," the implication is that the product is new, i.e. "recently invented, discovered, or developed," not that it is new to the marketing area. Therefore, an examiner's order providing that if a product is new in a marketing area, but not known in another, a company may advertise the product as "new" in the area in which it is not yet known for a period of one year was incorrect.

Rebuilt: An article to be advertised as *rebuilt* must be rebuilt in a factory engaged in such rebuilding or the original manufacturer's factory. Missing or worn parts must be replaced with new, not reprocessed parts.

"Free"—Effective December 16, 1971 — It is presumed that, except in the case of introductory offers in connection with the sale of a product or service, an offer of "Free" merchandise or service is based upon a regular price for the merchandise or service which must be purchased by consumers in order to avail themselves of that which is represented to be "Free." In other words, when the purchaser is told that an article is "Free," if another article is purchased, the word "Free" indicates that he is paying nothing for that article and no more than the regular price for the other.

The term "regular" when used with the term "price" means the price, under the same conditions of sale, at which the seller or advertiser recently sold the product in the same trade area in which he is making a "Free" offer. Except in the case of introductory offers, if no substantial sales were made at the "regular" price, a "Free" or similar offer would not be proper.

When making "Free" or similar offers, all the terms, conditions and obligations upon which receipt and retention of the "Free" item are contingent should be set forth clearly and conspicuously at the outset of the offer. All of the terms, conditions and obligations should appear in close conjunction with the offer of "Free" merchandise or service. For example, disclosure of the terms of the offer set forth in a footnote of an advertisement to which reference is made by an asterisk or other symbol placed next to the offer is not regarded as making a disclosure at the outset. However, mere notice of the existence of a "Free" offer on the main display panel of a label or package is not precluded provided that:

1. The notice does not constitute an offer or identify the item being offered "Free";
2. The notice informs the customer of the location, elsewhere on the package or label, where the required disclosure may be found;
3. No purchase or other such material affirmative act is required in order to discover the terms and conditions of the offer; and
4. The notice and offer are not otherwise deceptive.

A supplier may not perpetuate a "Free" offer that he knows is not being passed on by a reseller, or otherwise is being used by a reseller as an instrument for deception.

No "Free" offer should be made in connection with the introduction of a new product or service offered for sale at a specified price unless the offerer expects, in good faith, to discontinue the offer after a limited time and to commence selling the product of service promoted, separately, at the same price at which it was promoted with the "Free" offer.

A single size of a product or a single kind of service should not be advertised with a "Free" offer in a trade area for more than six months in any 12-month period. At least 30 days should elapse before another such offer is promoted in the same trade area. No more than three such offers should be made in the same area in any 12-month period, and sales should not exceed 50 percent of the total volume of sales of the product, in the same size, in the area.

Similar terms such as "gift," "given without charge," "bonus," "buy one get one free," "two for one," "50 percent off with purchase of two," "1¢ sale," "half-price" and "half off" are all covered by the Rule.

4. Sweepstakes

Although the FTC has not issued a rule or advisory opinion on sweepstakes, it does take an ongoing interest in their conduct, as does the USPS.

Practioners must be aware that the Postal Service's regulations prohibit lotteries by mail and that a sweepstakes is legally considered a lottery, if it contains all three elements used to define a lottery: chance, consideration and prize.

In addition, many states have laws concerned with sweepstakes. Because of the complexity of these regulations, all companies considering using a sweepstakes would be well advised to consult their own attorneys and a competent company specializing in sweepstakes.

To assist its members, DMA has drawn up a set of general guide lines to be followed in addition to any specific state regulations.

DMA Guidelines for Self Regulation of Sweepstakes Promotions

As any advertisement must first attract attention, the sole function of sweepstakes is to sufficiently capture the prospective customer's interest so he will read the rest of the promotion which offers a product or service.

However, since the sweepstakes component accompanies the product advertising portion of the promotion, it must enhance, not impair, consumer good will. The fact that one is being offered something for nothing does not necessarily preclude that the manner in which it is done may leave him with a feeling of distaste suggesting there is something improper or unfair about it.

The following guides have been prepared as an aid to those who design, operate or use sweepstakes promotions, and no implication is intended that failure to observe them would, in any way, be a legal violation. Their concern is simply with public satisfaction and good will.

Definition — A sweepstakes, as used here, means any advertising or promotional device by which items of value (prizes) are awarded to members of the public by chance and without consideration.

Clear and Conspicuous Disclosure of Rules — It is essential, if members of the public are to feel that they have been dealt with fairly, that the rules of the sweepstakes and all conditions and terms which will govern the award of its prizes be stated thoroughly and understandably to them. This should be done at the time they are invited to take the first step necessary toward receiving an award. In that way they will be spared undertaking any effort if they don't like the rules of the game.

It is not feasible to derive a definite and precise formula for describing the term "clear and conspicuous." In principle, however, terminology should be simple, non-technical and unambiguous. Typography—in size, style, and location—should be such that one cannot view the promotion piece for more than a few seconds without seeing that the rules and conditions are there to be read, if he chooses to do so, and that such reading can be done easily. If the designer of the promotional materials starts from the premise that it is important and to his advantage to have the reader wholly understand the rules from the outset, and, if he is willing to resolve all doubts as to graphics to achieve that result, he will know how to do it.

Elements common to sweepstakes that should be disclosed, in addition to any others which may be peculiar to a particular promotion, are:

1. That no purchase of the advertised product or service is required in order to win a prize.
2. Any boxes or other devices used for registering the participant's election to purchase or not to purchase the promoted product or service; those for the negative should be equally conspicuous with those for the affirmative.
3. The nature of the prizes in each prize category.
   - Awards given to persons by virtue of their having entered a sweepstakes, and not as part of the same process and procedure by which major prize-winners are selected, shall not be represented as prizes, either directly (i.e. by name or other characterization) or by implication (e.g., as by assigning matching numbers to them or by referring to them as items to be won rather than given).
   - No award shall be described as a prize unless it has an approximate retail value of at least $1.00.
   - No award, whether a prize or a gift, shall be held forth directly or by implication as having substantial monetary value if it is of only nominal intrinsic worth.
4. The total number of prizes in each category.
5. The approximate odds of winning a prize if such odds can be reliably calculated prior to the beginning of the sweepstakes.
6. The geographic area covered by the sweepstakes.
7. The termination date for eligibility in the sweepstakes, and whether this is a date of mailing or receipt of the entry.
8. Any other conditions under which a participant would not be given an award to which he would otherwise be entitled.
9. The identity and address of a specific addressee to whom inquiries concerning the sweepstakes may be directed.
10. That the sponsor reserves the right to take all steps reasonably calculated to verify that winners are, in fact, qualified and entitled to receive their awards.

Selection of Winners

Winners should be selected in a manner that ensures fair application of the laws of chance according to the published rules and conditions of the particular sweepstakes.

Prizes

All prizes described in the promotional material, or resources sufficient to assure their award, should be set aside prior to the beginning of the sweepstakes and be kept segregated until utilized for the awards.

All such prizes shall be awarded as part of the sweepstakes.

Record Keeping and Disclosure

For a period of three years after the published termination date for entries in the sweepstakes, records shall be kept of:

- the approximate number of entries distributed
- the total number of prizes advertised in each category
- the approximate number of participants
- the name and address of each winner of a prize having an approximate retail value in excess of $10, together with a description and the approximate retail value of the prize to each
- the method by which winners were determined

Properly authorized governmental representatives shall have access, on a confidential basis, to anything contained in these records.

Members of the public who submit a request, accompanied by a self-addressed stamped envelope, should be provided a complete list of winners whose prizes have an approximate retail value of $25 or more and where the promotional literature clearly and conspicuously states that the names of winners will be made public, on request. Where the promotional literature does not so state, the list should also be provided, on request, except that it should omit the names of those winners who, within a reasonable time after being notified that they have won, request that their names not be made public.

5. Mail Order Insurance Industry Guidelines

Effective July 14, 1964. The Federal Trade Commission has promulgated guides to be followed when using advertising and promotion materials in connection with the solicitation of the original purchase, renewal or reinstatement of an insurance policy. The guides are applicable regardless of the medium used by the advertiser.

The general areas covered by the guidelines include:

- Deception
- Advertisement of benefits, losses covered or premiums payable
- Health of the applicant or insured
- Disclosure of policy provisions relating to renewability, cancellability or termination
- Testimonials, appraisals or analyses

- Deceptive use of statistics
- Identification of plan or number of policies
- Deception as to introductory, initial or special offers
- Misrepresentation as to licensing, approval or endorsement of insurer, policy or advertisement
- Deception as to "group" or "quasi-group" policies
- Allocation of benefits under a "family group" policy
- Deceptive use of trade names, service marks, etc.
- Disparagement
- Misrepresentation concerning the insurer

6. Dry-Testing

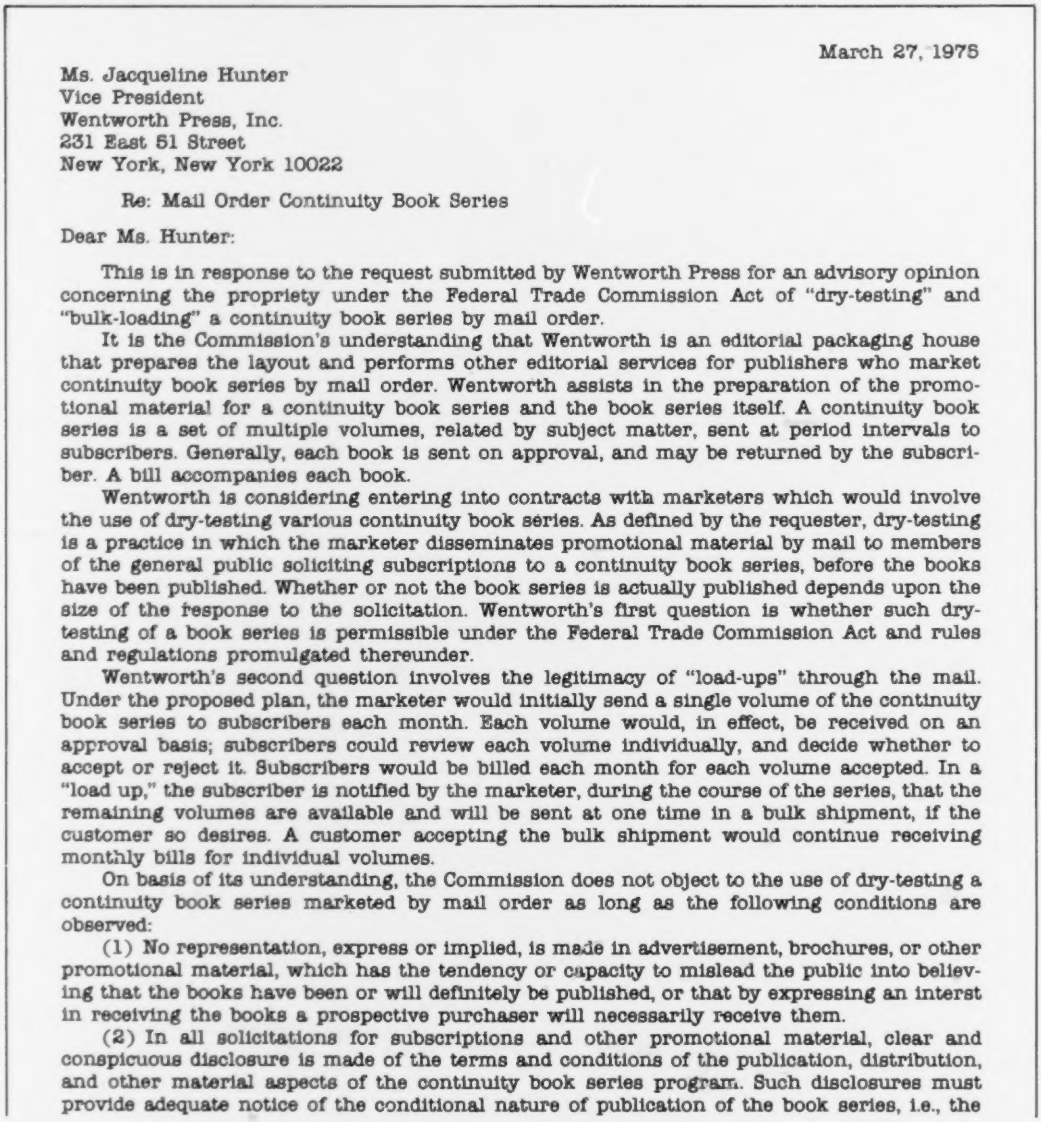
Another area of FTC concern is the practice of *dry testing*. Dry-testing is a term used in the trade to describe the practice in which the marketer disseminates promotional material by mail to members of the general public offering a product which the marketer has not yet manufactured or obtained. Whether the product is actually sold will depend on the size of the response to the solicitation.

On March 27, 1975, the FTC issued an advisory opinion on this subject. It allows dry-testing under very *strict guidelines* insuring that the potential customer is in no way misled about the terms of the offer.

Although a number of years have passed since the issuance of this opinion, the FTC has neither recalled it nor issued another in its place. Therefore, it is reprinted below in its entirety.

The Federal Trade Commission has answered a request for an advisory opinion from Wentworth Press, Inc., 231 East 51 St., New York City, regarding the propriety of "dry-testing" and "bulk-loading" a continuity book series by mail order. The Commission vote was unanimous.

The test of the Commission's letter of advice follows. The material submitted by the requesting party is available for public inspection at the FTC's Division of Legal and Public Records, Washington, D.C. 20580.



March 27, 1975

Ms. Jacqueline Hunter
Vice President
Wentworth Press, Inc.
231 East 51 Street
New York, New York 10022

Re: Mail Order Continuity Book Series

Dear Ms. Hunter:

This is in response to the request submitted by Wentworth Press for an advisory opinion concerning the propriety under the Federal Trade Commission Act of "dry-testing" and "bulk-loading" a continuity book series by mail order.

It is the Commission's understanding that Wentworth is an editorial packaging house that prepares the layout and performs other editorial services for publishers who market continuity book series by mail order. Wentworth assists in the preparation of the promotional material for a continuity book series and the book series itself. A continuity book series is a set of multiple volumes, related by subject matter, sent at period intervals to subscribers. Generally, each book is sent on approval, and may be returned by the subscriber. A bill accompanies each book.

Wentworth is considering entering into contracts with marketers which would involve the use of dry-testing various continuity book series. As defined by the requester, dry-testing is a practice in which the marketer disseminates promotional material by mail to members of the general public soliciting subscriptions to a continuity book series, before the books have been published. Whether or not the book series is actually published depends upon the size of the response to the solicitation. Wentworth's first question is whether such dry-testing of a book series is permissible under the Federal Trade Commission Act and rules and regulations promulgated thereunder.

Wentworth's second question involves the legitimacy of "load-ups" through the mail. Under the proposed plan, the marketer would initially send a single volume of the continuity book series to subscribers each month. Each volume would, in effect, be received on an approval basis; subscribers could review each volume individually, and decide whether to accept or reject it. Subscribers would be billed each month for each volume accepted. In a "load up," the subscriber is notified by the marketer, during the course of the series, that the remaining volumes are available and will be sent at one time in a bulk shipment, if the customer so desires. A customer accepting the bulk shipment would continue receiving monthly bills for individual volumes.

On basis of its understanding, the Commission does not object to the use of dry-testing a continuity book series marketed by mail order as long as the following conditions are observed:

(1) No representation, express or implied, is made in advertisement, brochures, or other promotional material, which has the tendency or capacity to mislead the public into believing that the books have been or will definitely be published, or that by expressing an interst in receiving the books a prospective purchaser will necessarily receive them.

(2) In all solicitations for subscriptions and other promotional material, clear and conspicuous disclosure is made of the terms and conditions of the publication, distribution, and other material aspects of the continuity book series program. Such disclosures must provide adequate notice of the conditional nature of publication of the book series, i.e., the

fact that the book series is only planned and may not actually be published.

(3) If the decision is reached not to publish the book series, due notice is given to persons who have subscribed, within a reasonable time after the date of first mailing the solicitations for subscriptions. The Commission considers four months or less to be a reasonable time, unless extenuating circumstances exist. If the decision on whether or not to publish the book series has not been made within that time period, persons who expressed a desire to subscribe should be notified of the fact that a decision has not yet been reached, and should be given an opportunity to cancel their orders.

(4) There is no substitution of any books for those ordered.

This opinion is not intended to affect the application of any state law which places stricter requirements upon mail order marketers or affords greater protection to consumers.

As to the question regarding the legitimacy of sending the remaining volumes of a continuity book series in a bulk shipment to a subscriber after several volumes have been shipped and billed for singly, upon notice and an opportunity to reject the proposed bulk shipment before it is made, the Commission refers your attention to two recent consent orders: Cadence Industries Corp., C-2508 (March 25, 1974), and Crowell Collier and Macmillan, Inc., C-2394 (May 1, 1973). In these consent orders, the respondents agreed, among other things, to make no representations in promotional material that a participant in a continuity book program has the option of receiving each publication individually, at prescribed intervals and accepting or rejecting it, unless such is the case. These consent orders also require a clear and conspicuous disclosure be made in any advertisement promoting the book program of the conditions and terms of the program and the duties and obligations of any subscriber.

By the direction of the Commission.

Charles A.Tobin
Secretary

7. Negative Option Rule

Effective June 7, 1974. The FTC originally proposed to ban entirely the negative option mode of selling. Some Commission members thought it an unfair practice to take commercial advantage of human tendencies towards procrastination and guilt for not returning the no-merchandise card.

In response to the proposal to ban negative option selling, DMA, together with its members, worked up an alternative proposal and the FTC adopted this alternate rule, June 7, 1974, with some changes, which gave us the rule as it is today.

Mandatory disclosures and practices

a. All promotional material must clearly and conspicuously state the material terms of the plan, including:
   - Method of accepting or rejecting offers
   - Any minimum quantity of merchandise subscriber is obligated to buy
   - Right of a contract-complete subscriber to cancel
   - Whether billing charges include postage and handling
   - Notice that subscriber will have at least ten days to mail any form
   - If subscriber had less than 10 days, account will be credited for returned merchandise and postage guaranteed
   - Frequency of announcements and forms, setting forth maximum in 12 months

b. Seller must mail announcement identifying selection, and form and procedure by which subscriber instructs seller of choice to select or reject. Subscriber must have at least ten days in which to mail his form.

c. Introductory and bonus merchandise must be shipped within 4 weeks of receipt of order. If impossible, seller must comply with subscriber's request for cancellation of membership.

d. Seller must promptly terminate membership of a contract-complete subscriber upon his request to do so.

e. Seller may not, without subscriber's express consent, substitute merchandise for that ordered by subscriber.

8. Deceptive Advertising of Guarantees — Effective April 26, 1960

Determining violations

In determining whether terminology and direct or implied representations concerning guarantees, however made, i.e. in advertising or otherwise, in connection with the sale or offering for sale of a product, may be in violation of the Federal Trade Commission Act, the following general principles will be used:

Guarantees in general

In general, any guarantee in advertising shall clearly and conspicuously disclose:

(a) The nature and extent of the guarantee.

This includes disclosure of:

(1) What product or part of the product is guaranteed.

(2) What characteristics or properties of the designated product or parts thereof are covered by, or excluded from, the guarantee.

(3) What is the duration of the guarantee.

(4) What, if anything, any one claiming under the guarantee must do before the guarantor will fulfill his obligation under the guarantee, such as return of the product and payment of service or labor charges: and

(b) The manner in which the guarantor will perform.

This consists primarily of a statement of exactly what the guarantor undertakes to do under the guarantee. Examples of this would be repair, replacement, refund. If the guarantor or the person receiving the guarantee has an option as to what may satisfy the guarantee this should be set out; and

(c) The identity of the guarantor.

The identity of the guarantor should be clearly revealed in all advertising, as well as in any documents evidencing the guarantee. Confusion of purchasers often occurs when it is not clear whether the manufacturer or the retailer is the guarantor.

Prorata adjustment of guarantees

(a) Many guarantees are adjusted by the guarantor on a prorata basis. The advertising of these guarantees should clearly disclose this fact, the basis on which they will be prorated, e.g., the time for which the guaranteed product has been used, and the manner in which the guarantor will perform.

(b) If these guarantees are to be adjusted on the basis of a price other than that paid by the purchaser, this price should be clearly and conspicuously disclosed.

Example: "A" sells a tire with list price of $48 to "B" for $24, with a 12 months guarantee. After 6 months use the tire proves defective. If "A" adjusts on the basis of the price "B" paid, $24, "B" will only have to pay one-half of $24, or $12, for a new tire. If "A" instead adjusts on the basis of list price, "B" will owe one-half of $48, or $24, for a new tire. The guarantor would be required to disclose here the following: That this was a 12 months guarantee, that a list price of $48 would be used in the adjustment, that there would be an adjustment on the basis of the time that the tire was used, and that he would not pay the adjusted amount in cash, but would make an adjustment on a new tire.

NOTE: Guarantees which provide for an adjustment based on a fictitious list price should not be used even where adequate disclosure of the price used is made.

"Satisfaction or Your Money Back" representations

"Satisfaction or Your Money Back," "10 Day Free Trial," or similar representations will be construed as a guarantee that the full purchase price will be refunded at the option of the purchaser.

Example: A rose bush is advertised under the representation, "Satisfaction or Your Money Back." The guarantor requires return of the product within one year of purchase date before he will make refund. These limitations, i.e. "return" and "time," shall be clearly and conspicuously disclosed in the ad.

Lifetime guarantees

If the words "Life," "Lifetime," or the like, are used in advertising to show the duration of a guarantee, and they relate to any life other than that of the purchaser or original user, the life referred to shall be clearly and conspicuously disclosed.

Example: "A" advertised that his carburetor was guaranteed for life, whereas his guarantee ran for the life of the car in which the carburetor was originally installed. The advertisement is ambiguous and deceptive and should be modified to disclose the "life" referred to.

Savings guarantees

(a) Advertisements frequently contain representations of guarantees that assure prospective purchasers that savings may be realized in the purchase of the advertiser's products.

(b) Some typical advertisements of this type are "Guaranteed to save you 50%," "Guaranteed never to be undersold," "Guaranteed lowest price in town."

(c) These advertisements should include a clear and conspicuous disclosure of what the guarantor will do if the savings are not realized, together with any time or other limitations that he may impose.

Example: "Guaranteed lowest price in town" might be accompanied by the following disclosure:

"If within 30 days from the date that you buy a sewing machine from me, you purchase the identical machine in town for less and present a receipt therefor to me, I will refund your money."

Guarantees under which the guarantor does not or cannot perform

(a) A seller or manufacturer should not advertise or represent that a product is guaranteed when he cannot or does not promptly and scrupulously fulfill his obligations under the guarantee.

(b) A specific example of refusal to perform obligations under the guarantee is use of "Satisfaction or your money back" when the guarantor cannot or does not intend promptly to make full refund upon request.

Guarantee as a misrepresentation

Guarantees are often employed in such a manner as to constitute representations of material facts. If such is the case, the guarantor not only undertakes to perform under the terms of the guarantee, but also assumes responsibility under the law for the truth of the representations made.

Example 1: "Guaranteed for 36 months" applied to a battery is a representation that the battery can normally be expected to last for 36 months and should not be used in connection with a battery which can normally be expected to last for only 18 months.

Example 2: "Guaranteed to grow hair or money back" is a representation that the product will grow hair and should not be used when in fact such product is incapable of growing hair.

Example 3: "Guaranteed lowest prices in town" is a representation that the advertiser's prices are lower than the prices charged by all others for the same products in the same town and should not be used when such is not the fact.

Example 4: "We guarantee you will earn $500 a month" is a representation that prospective employees will earn a minimum of $500 each month and should not be used unless such is the fact.

These guides remain in effect until rules under the *Magnuson-Moss Warranty Act* are promulgated by the FTC, and thereafter to the extent not superseded by the new rules.

9. Warranties

The FTC is the federal agency empowered by *The Magnuson-Moss Warranty Act* (Effective July 4, 1975) to issue rules, regulations, statements and interpretations of the Act. By the close of 1978, the Commission had already issued three rules:

- Part 701—Disclosure of Written Consumer Product Warranty Terms and Conditions—Effective December 31, 1976.
- Part 702—Pre-Sale Availability of Written Warranty Terms—Effective December 31, 1976.
- Part 703—Informal Dispute Settlement Mechanisms—Effective July 4, 1976.

The Warranty Act, and FTC's rules, apply only to *written* warranties covering consumer products. Whenever a product is sold with a written warranty that promises a product is defect-free, or will meet a certain level of performance for a specific time period, or that the warrantor will take a specified action if a prouct fails to live up to the warrantor's promises about it, the warranty is governed by the Act.

No one is required to give a written warranty. Minimum duration for a warranty is not required.

If the mail order seller and the retailer offer written warranties, the FTC rules require that they be made available to the consumer prior to the sale. Many of the restrictions imposed by the rules apply only to the manufacturer. If, however, the ultimate seller (whether an over-the-counter retailer or mail order seller) adds its parts and labor warranty on a product (such as a TV set) to the manufacturer's warranty, both must comply with the rules.

The rules cover in detail such subjects as:

- Depending upon product's price, there are varying degrees of responsibility; $5 is the minimum price covered.
- The guarantor must specify whether the warranty is "Full" or "Limited" for all products costing $10 or more to the consumer. Each of these designations has its own requirements.
- A written warranty may *not* require the consumer to use a branded or trademarked product or service. Statements such as "the product must be serviced by an authorized __________ dealer" are prohibited.
- The written warranty must state, in clear and unmistakable language, the duration of the warranty and must be printed prominently on its face.
- Exclusions or limitations must also be printed on the face of the warranty clearly. In many states, exclusions or limitations are either restricted or prohibited. Care must be taken to comply with such state regulations.
- Mail order sales encompass both radio and television advertisements which inlcude instructions for ordering a product by mail or telephone. Therefore, it is necessary to provide information in these advertisements on where the warranty may be obtained.
- Catalogs or mail order solicitations must disclose for each warranted product either the full text or a notice where the warranty may be obtained upon written request. This information must be located on the same page or the facing page or in a clearly referenced information section of the catalog.
- Rule 703 describes, in detail, the mechanisms required to settle disputes. It covers such items as seals of approval, owner registration cards, record-keeping, individual dispute records, statistical reporting requirements, annual audit—its nature and distribution, confidentiality, etc.

Legislation and Regulation . . . . Federal and State

1. Importance of Relations with Congress and the Federal Regulatory Agencies.

Even though the Postal Reorganization Act of 1970 theoretically took the Postal Service out of politics and the current regulatory climate has eased pressure on many businesses, the impact of Congressional and Federal regulatory initiatives on direct marketing is and will continue to be quite heavy.

Not only can legislation in many areas have a significant impact on direct marketing, but the perception of the industry among key members of Congress can affect the treatment of the industry by many Federal regulatory agencies.

During the next few years, Congressional and Federal regulatory initiatives involving postal rates, mail processing and delivery, mail order delivery rules, consumer protection, privacy and access to lists, and the structure of the communications industry will be among the most significant matters confronting direct marketers. In addition, Congressional oversight and informational hearings and studies mandated by Congress, the USPS and such agencies as the Federal Trade Commission, and the Federal Communications Commission on a myriad of subjects are a constant feature of the Washington landscape. These hearings and studies, even if they do not result in actual legislation or rule changes, can be important factors in shaping the opinions and actions of governmental decision makers at all levels.

2. State Activities

Activities in state legislatures and state regulatory bodies which affect mailing lists, telephone solicitation, sales and use taxes on direct marketing, and other direct marketing procedures are becoming increasingly important. The same guidelines used in keeping up with Congressional activities should also be applied to state legislative and regulatory actions.

DMA has strengthened its coverage in the state area to provide greater informational and lobbying capabilities in the state capitols as the need arises. In addition, DMA maintains a monitoring service which tracks legislation and allows DMA to alert members of pending actions which are of concern in each state. Several proposed laws have been dropped or modified recently because of combined member activities and professional efforts.

3. DMA Government Affairs Services

DMA maintains a Washington office responsible for representing the interests of its members in Congress before Federal agencies, and in the state capitols.

DMA Government Affairs staff educates public officials about direct marketing's important role, its contribution to the economy, and its commitment to ethical practices and self-regulation.

The staff operates under policy guidelines developed by DMA's Government Affairs Committee with approval by the Executive Committee and the Board of Directors.

Through these formal policy-making bodies, every member has an opportunity to influence the shape of the industry's response to governmental challenges.

The Washington office publishes a monthly newsletter called "Washington Report" which is sent to all DMA members. The "Washington Report" informs members of postal matters and Federal and state legislative and regulatory issues affecting the industry—and the actions taken in these areas by DMA. A special DMA bulletin, "Washington Alert," is sent out as needed to inform members of important government developments of immediate concern.

The Government Affairs Department also publishes the "Compendium of Government Issues Affecting Direct Marketing," an annual report on DMA issues and activities in this area. The Compendium is published each spring to coincide with the DMA Government Affairs Conference.

The annual DMA Government Affairs Conference features discussions of postal and regulatory matters of concern to direct marketers and includes speakers from Capitol Hill, the Postal Service, and regulatory bodies.

DMA also conducts an annual Industry Leader's Conference on postal matters attended by government officials and leaders of three trade associations and sponsors "Capitol Hill" Seminars to educate Federal legislators and staff about direct marketing and how it can be used in the political process.

Members are urged to call the Government Affairs Department in Washington (202-347-1222) for information on postal or other legislative or regulatory matters.

Exhibit 15-1

MAIL ORDER COMPLAINTS

Total Alleged Violations*: Third Quarter—FY '82 = 5,010

Violation Categories	% Third Quarter—FY '82**
Failure to Deliver (MOR)***	30
Defective Products—Automobile	20
Credit Practices	19
Sales/Contractual Abuses	6
Warranty	4
Deceptive Advertising/ Unsubstantiated Claims	3
Money Back Guarantee/Money Not Refunded	2
Failure to Refund	1
Unsatisfactory Performance/Quality	1
Failure to Deliver	1

* These violations alleged by complaint letters; one violation is counted per letter.

** Ranking includes 87% of alleged violations.

*** Includes Regional Office complaints.

Source: FTC Digest of Consumer Complaints, 1982.

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Education

by Richard Montesi
Direct Marketing Association, Inc.

Section I
Professional Education Curriculum

The Education Department offers a comprehensive program of continuing education to meet the varying needs of the direct marketing professional. Offered primarily as a member service, courses are open to non-DMA members as well, in recognition that training is a primary vehicle in maintaining and upgrading industry standards.

In-House Presentation—In addition to public presentations, the Education Department has developed an In-House Program that enables a company to offer training on its own premises or at a nearby facility. When conducted for groups of 15 or more, in-house training becomes a cost-effective, convenient and flexible form of training. In-house training enables a company to customize a learning package to meet its own particular training needs. Information on In-House Programs can be obtained by contacting Richard Montesi, Senior Vice President, Education.

Professional Education:

The professional education courses are designed to enable participants to:

- Keep up to date with latest industry trends and state-of-the-art developments.
- Increase proficiency in creative and technical skills
- Supplement on-the-job training
- Keep abreast of legislative issues affecting the industry

To accommodate the different subject requirements and levels of experience and expertise, programs range from a basic-level overview of direct marketing to the more specialized areas of copywriting and database marketing.

Through the use of lecture, discussion, case studies, team exercises, and audio-visual aids, the courses successfully combine practice and theory. Participants gain a solid grasp of subject matter as well as practical suggestions, which can be incorporated into their direct-marketing practice. Group interaction is encouraged at all programs so that participants can learn from the experiences of their peers.

The department's 12 seminars are offered throughout the year in different direct-marketing centers around the country. This year, more than 80 presentations are planned with attendance expected to exceed 2,000.

Education Department 1984 Calendar

The following is a list of DMA educational programs to be held during 1984.

- **The Basic Institute**, the flagship of DMA's educational programs, is a three-and-one-half day intensive program for newcomers to direct marketing. It also serves as a refresher course for direct marketing professionals. The rigorous curriculum includes:

Major Uses of the Medium
7 Cardinal Principles of Direct Mail
Mailing Lists
Forms of Direct Mail
Testing
Research
Budgeting

Each Institute is conducted by two of these outstanding instructors:

Paul Sampson—Current Vice Chairman of the Direct Marketing Educational Foundation and former chairman of DMA's Board of Directors. Sampson's broad-based experience includes positions as executive manager of the *Christian Science Monitor*, senior vice president of the Metromail Division of Metromedia, chairman of the board of Garden Way, and president of the Sampson Hill Corporation.

Dick Hodgson—A direct marketing consultant to some of the world's largest firms, Hodgson has taught and lectured extensively. Formerly director of the Franklin Mint, he is also the author of the bible of direct marketing, *Direct Mail and Mail Order Handbook*.

Dick Shaver—President of Shaver Direct, specializes in strategic planning and creative for all major response media. Shaver has held key positions with McGraw Hill and Agawam Associates. He is a frequent contributor to the industry's press.

- **Seminars in Direct Marketing** is a series which includes three discrete but interrelated programs which may be taken separately or as a cluster.

Copy and Art
Mailing Lists
Math and Finance

Designed for individuals with a basic understanding of the principles of direct marketing, these programs will increase the participant's knowledge and application of direct marketing techniques.

The three programs are developed and presented by Pierre Passavant, a leading authority in direct marketing, whose credentials include such positions as: vice president, Xerox Educational Publications; vice president, Gerber Life Insurance; catalog circulation manager, JCPenney Company.

• **Management of the Telephone Marketing and Sales Operation** recognizes the increasing importance of telemarketing in the direct-marketing industry. Designed for executives who are already using the telephone as a sales tool or plan to, this three-day program is particularly valuable for telephone program operations managers, vice presidents of sales & marketing, marketing managers, circulation directors, etc. The three-day intensive program includes:

Defining telephone marketing
General management requirements
Planning and developing telemarketing programs
Operations management

The course has been developed and is conducted by Rudy Oetting, President of R. H. Oetting & Associates, Inc., whose client companies—large and small—are using telemarketing profitably. Formerly executive vice president of a major telephone marketing agency, Oetting is a recognized leader in this field.

• **Telephone Essentials** is a series of three separate but interrelated programs which, whether taken individually or as a group, are designed to increase a company's telemarketing effectiveness. The programs may appeal to any or all of the following personnel: vice presidents of sales & marketing; advertising directors; service managers; fund raisers; copywriters, etc.

Course I—List Segmentation for Successful Telephone Marketing includes these vital subjects:

Identifying telemarketing lists
Gathering demographic information to better target campaigns
Factors that enter into list costs
Legislative and ethical issues relating to telemarketing

This program is conducted by Fred Tregaskis, Director of Marketing Services, Olan Mills Portrait Studios. In this capacity, Tregaskis is responsible for national sales support operations including a sophisticated list management system. A member of the DMA Board of Directors, Tregaskis is also a member of DMA's Government Affairs Committee and chairman of the DMA Telephone Legislation Committee.

Course II—The Offer, The Script and Creative Calling Strategies. This course includes these important subjects:

Designing a creative strategy for marketing or fund raising
Structuring a strong telephone offer
Preparing creative work
Maximizing response to 800-number advertising
Creative outbound scripts and call guides
Creating or improving inbound calls

The course is developed and conducted by Aldyn McKean, President of Aldyn McKean Associates and editor of *AIS 800 Report*. McKean's credentials include positions with Wunderman, Ricotta & Kline and Young & Rubicam. McKean has an impressive background and is recognized for having developed the concept of empathetic/interactive scripting.

Course III—Testing Techniques for Optimum Telephone Results includes these major subjects:

Setting objectives
Measurement vehicles
Structuring the test
Implementation
Reading and interpreting results
Mistakes in testing

The program is developed and conducted by Peg Kuman, Director, Telemarketing, Publishers Clearing House. Previously director of telemarketing for Fingerhut Corporation, she pioneered telemarketing programs and helped develop Fingerhut's Telemarketing Services, an outbound telephone marketing agency. She chairs the Telephone Marketing Council of DMA and is a faculty member of the Direct Marketing Educational Foundation.

• **Managing for Fulfillment Excellence** is a one-day-course which emphasizes the important of back-end operations. Since fulfillment affects so many areas, this course is intended for company presidents, operating executives, controllers, financial officers, and fulfillment superintendents. The program includes these subjects:

How to evaluate your operation
How to organize
How to reduce/avoid problems
Sources of help
Cost reduction approaches

This course has been developed and is led by Stanley J. Fenvessy, Chairman of Fenvessy & Schwab, Inc., a New York management consulting firm specializing in direct response fulfillment and customer service. An attorney and certified management consultant, Fenvessy is both an author and lecturer in the fulfillment area.

• **Direct Marketing The Law and You,** a one-day legal seminar designed especially for direct marketers, analyzes in non-technical language the laws and regulations relating to direct marketing. Since legal issues affect all levels of the direct-marketing industry, this program is particularly valuable to CEOs, presidents, general managers, small business owners, fulfillment executives, customer service supervisors, etc. Among the subjects covered:

Advertising and promotions—FTC rulings
Shipment and delivery of merchandise
Consumer complaints
Product packaging
Telephone sales
Postal laws and regulations

This program has been developed and is presented by Herb Trossman, an attorney with over ten years experience in the direct marketing industry. His credentials include positions as vice president planning & government relations for Columbia House, Division of CBS, and assistant general attorney in the CBS Law Department.

- **Print and Production** is a one-day program designed for production managers with limited experience, marketing or promotions managers who must plan marketing strategies, and copywriters and designers who must create compelling, persuasive material within strict cost limitations. The program includes these key areas:

  Project planning
  Paper
  Composition
  Artwork, engravings and process color
  Binding and finishing
  Production

This program is led by Philip Battaglia, a major force in the U.S. printing industry. As founder and president of *Printing Management*, as executive vice president and national secretary of the National Association of Lithographers, etc., Mr. Battaglia has lectured extensively and is the editor of *Productivity Plus*, an industry newsletter.

- **Fundamentals of Magazine Circulation** is a three-day intensive program highly recommended for circulation directors, managers and assistants, editors, data processing managers, subscription managers, etc. Among the topics covered are:

  Why publishers have sharpened their focus on magazine circulation
  Assessment of potential profits of subscriptions from others
  Creation of direct mail packages worth their expense
  What to expect from sales agents
  How to create a stronger program for single-copy sales
  How to improve subscription renewals

The program is conducted by J. Wendell Forbes, well-known publishing expert and consultant. Prior to establishing his consulting business, Forbes was with Time Inc. for 23 years where he held several top positions including circulation director for *Life*. He has lectured extensively and is the author of numerous essays and articles. Forbes is a past chairman of DMA's Board of Directors.

- **The Catalog Institute** is a three-day program designed for anyone involved in the development, creation, and production of a mail-order catalog. Included in the curriculum are these major subjects:

  The power of catalogs
  How catalog selling differs
  Organization
  Design
  Production
  Evaluating results

This program includes a critique and discussion of the catalogs submitted by course participants. The program is conducted by Dick Hodgson who also teaches the Basic Institute.

- **Winning Direct Mail**, a one-day course, new for 1984, is a copywriting program for all creative management—agency and client alike, newcomers and seasoned professionals. Among the topics covered are:

  Skills and qualities needed for creative success
  The underlying law of creativity in direct marketing
  Where creativity starts in the "big picture"
  12 crucial creative rules
  How to develop creative concepts that sell

This program is developed and conducted by Joan Throckmorton, President of Joan Throckmorton, Inc. Prior to establishing her own marketing and advertising firm, Ms. Throckmorton was associated with Time Inc., Cowles Communications, Inc., Doubleday & Company, and American Heritage. She also lectured extensively and in 1976 was selected by *Business Week* as one of the top 100 Corporate Women in America. Ms. Throckmorton was a member of the DMA Board of Directors and a member of both its executive committee and long-range planning committee.

- **Database Marketing I & II** are two new courses for 1984, highlighting the importance of the database in direct marketing today.

  Course I—Introduction and Applications is a two-day program intended for direct marketing managers and assumes no familiarity with database marketing. Subjects covered include:

  Introduction to database
  Steps to database marketing
  Direct marketing database elements
  Database targeting

  Course II—Quantitative Methods is a two-day program for direct marketing analysts and researchers which assumes a basic understanding of statistics and financial spreadsheet models. Subjects include:

  Advanced database design
  Multivariate statistical techniques
  List segmentation using multiple regression
  Applying long range financial models

Both programs have been developed and will be taught by Richard J. Courtheoux, a consultant with Kestnbaum & Company where he heads the Quantitative Methods activities. He has worked with diverse clients including American Express, IBM, and Lillian Vernon. He has taught extensively and is the author of numerous articles on database-marketing.

Section II

Programs of the Educational Foundation

The primary purpose of the Direct Marketing Educational Foundation is to improve the quality and scope of direct marketing education at the university level. Currently, the Foundation sponsors eight major programs.

These programs have resulted in a greater expansion of direct marketing education at the university level. Students and educators are more aware of the direct marketing field and recognize direct marketing's worth and potential as an advertising medium. Consequently, through these many programs, more and more top college students are choosing direct marketing as a career upon graduation.

The Direct Marketing Educational Foundation is non-profit and is supported entirely by contributions.

Collegiate Institute Scholarship Program

This program for college seniors consists of a five-day intensive seminar on all aspects of direct marketing. A faculty of about a dozen experts in the field conduct sessions in their specialty. The Foundation sponsors two Institutes a year.

Seniors in marketing, advertising, business administration, journalism, mass communications, or related fields are eligible to apply. Only 30-32 highly qualified students are granted scholarships for each Institute. Criteria include: recommendation from faculty members; academic standing; interest in advertising and marketing; extra-curricular activities; part-time or full-time employment record (special consideration is given to employment in advertising, journalism or sales areas).

Direct Marketing Institutes for Professors

A three-and-one-half day direct marketing institute for educators who are teaching or planning to teach direct marketing courses. Attendance is on a fellowship basis. Professors learn about the different areas in direct response and get assistance with curriculum development. The major purpose of the Institute is to increase the number of full or partial courses in direct marketing, provide a forum for the exchange of ideas between educators and practitioners and ultimately increase the number of students exposed to direct marketing.

DMEF Summer Internship Program

In an effort to bring more students into the rapidly-growing field of direct marketing, approximately a dozen students who are about to enter their senior college year are awarded summer internships on a scholarship basis to New York City direct marketing firms. Jobs for interns are determined by the participating firms according to their needs. Typical functions involve hands-on training in the basics of direct marketing in such positions as mailing list maintenance supervisor, marketing research assistant, subscription fulfillment supervisor, copywriter, production assistant or layout artist.

Interns meet periodically as a group to learn from experts from other companies, learn about direct marketing careers, and discover functions and techniques unique to the industry.

Each intern is responsible for his/her own transportation and housing in New York City. Salaries are determined by the participating companies.

In addition to setting up the New York-based program, the Foundation is assisting the Chicago Association of Direct Marketing in their summer Internship Program and will also assist any other direct marketing club wishing to conduct such a program.

Fellowship Program

This program is for college professors who teach or plan to teach courses in direct marketing. The purpose is to provide an education in the basic uses and functions of the medium which can then be translated into meaningful undergraduate and graduate programs. It is hoped that through a broader understanding of the medium and its role, greater emphasis will be placed on the teaching of direct marketing through more in-depth coverage of the subject in college level courses.

Full-time educators in the areas of advertising, marketing, journalism, business and related subjects are eligible to apply. Recipients of these fellowships attend DMA's Basic or Advanced Institutes and have the opportunity to make contact with the business community.

Career Days

Career Days are held in conjunction with DMA's Annual and Spring Conferences. Students and professors from nearby colleges and universities are invited for the day, and attend a special program on direct marketing . . . its uses, advantages and career opportunities. Special sessions are also conducted for professors to introduce them to the Foundation's many educational services and to encourage more extensive teaching of our subject.

Visiting Executive Program

In an effort to reach an even larger college audience, the Foundation sponsors volunteer speakers throughout the country who speak at college classes, club meetings, and similar vocations. The Foundation arranges the match between the Visiting Executive and the college and provides appropriate hand-out materials.

Career Guidance

The Foundation provides assistance to individuals interested in entering the direct marketing profession. Through a series of direct marketing career brochures, interested persons are made aware of the many opportunities available in the field. Although not a placement service, the Foundation aids in the job search. In addition, individuals may send in their resumes which are then forwarded to any company which contacts the Foundation about an entry-level job opportunity. The Foundation also maintains a file of resumes of students who have attended Collegiate Institutes . . . all top students in advertising and marketing, who have an excellent background in the various areas of direct marketing.

Course Information and Teaching Aids

The Foundation maintains a list of colleges and universities that offer undergraduate and graduate courses in direct marketing. The Foundation also assists professors interested in developing direct marketing curricula, writing texts or chapters in direct marketing, or launching appropriate research projects. Teaching aids are available at a nominal cost. A complete description of all items is available from the Foundation office.

Appendix I

Compendium of Additional Data and Sources

Compiled by the DMA Research Department

This section, new in the 1984 edition, contains a collection of charts, graphs, and other information of interest to direct marketers. Their sources are noted; a look into those primary publications can provide many more facts, even beyond those illustrated here.

These data are organized under topical headings, as follows:

Census
Catalog
Circulation
Lists
Fund Raising
✓ **Consumer Attitudes**
Coupons

Census Data Graphs

U.S. Population by Age
The Regional Scene
Families By Income—1970-1982
Families By Income—1980-1995
Women in the Labor Force With Children
Married Couples with Wife in Labor Force
Consumer Price Indexes—1970-1982

U.S. Population by Age: 1980, 1990, and 2000*
(in thousands)

Source: U.S. Census Bureau

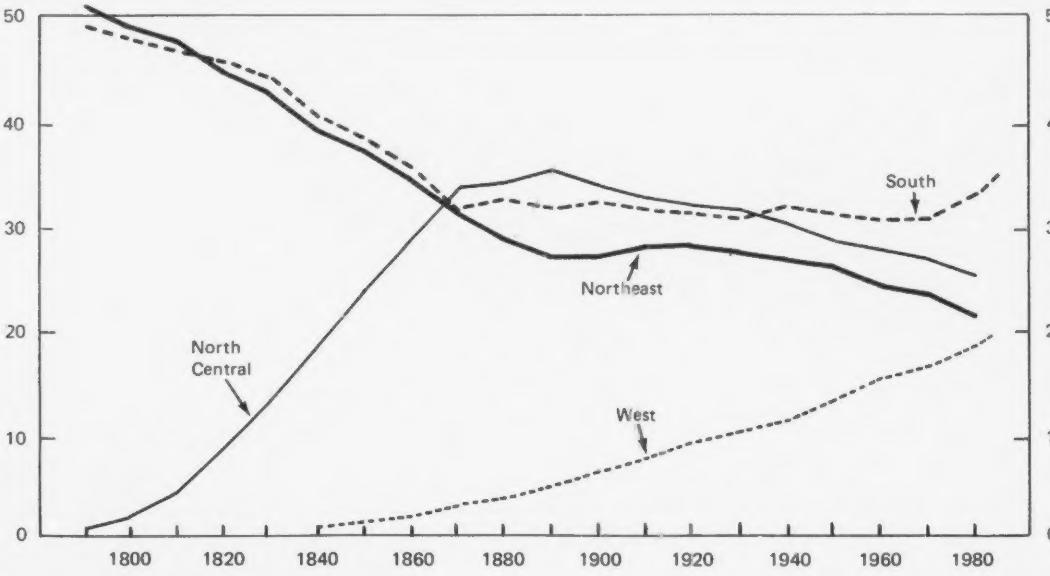
Age	1980	1990	2000	Percent Change 1980-1990	Percent Change 1990-2000
<5	16,448	19,200	17,624	16.7	− 8.2
5−9	16,595	18,599	18,758	12.1	0.9
10−14	18,227	16,776	19,519	− 8.0	16.4
15−19	21,123	16,957	18,950	−19.7	11.8
20−24	21,605	18,567	17,126	−14.1	− 7.8
25−29	19,763	21,503	17,380	8.8	−19.2
30−34	17,824	22,003	19,007	23.4	−13.6
35−39	14,126	20,004	21,736	41.6	8.7
40−44	11,752	17,841	21,982	51.8	23.2
45−49	11,047	13,973	19,753	26.5	41.4
50−54	11,687	11,418	17,341	− 2.3	51.9
55−59	11,619	10,451	13,285	−10.1	27.1
60−64	10,134	10,639	10,494	5.0	− 1.4
65−69	8,805	10,006	9,110	13.6	− 9.0
70−74	6,843	8,048	8,583	17.6	6.6
75−79	4,815	6,224	7,242	29.3	16.4
80−84	2,972	4,060	4,965	36.6	22.3
85+	2,274	3,461	5,136	52.2	48.4
Total	227,658	249,731	267,990	9.7	7.3

*All figures are as of July 1, including the 1980 figures, which are Current Population Survey estimates based on 1980 census results.

Source: American Demographics, January 1983.

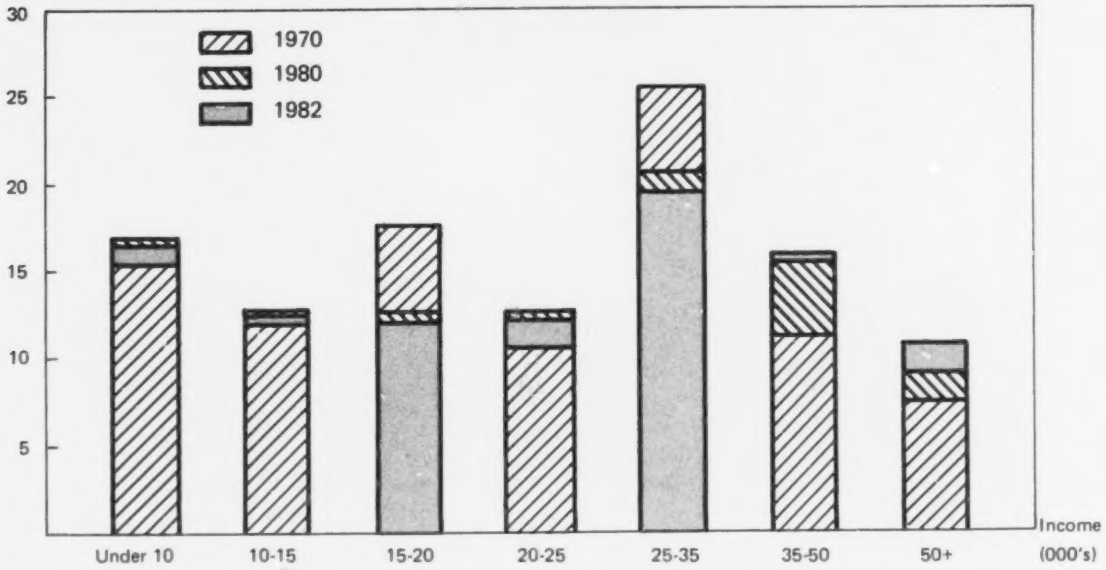
The Regional Scene: 1970-1980

Population shifts among the nation's four regions reflect a long-term movement toward less densely settled areas.



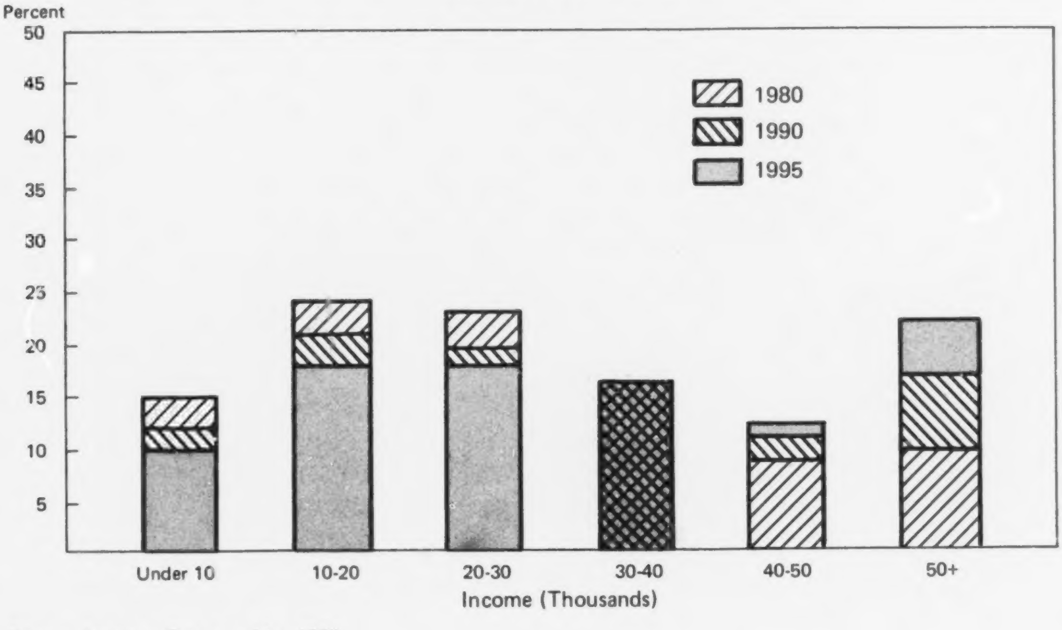
Source: American Demographics, Sept. 1982.

Families By Income Class 1970-1982 (Based on 1982 Dollars)



Source: Bureau of the Census, 1983.

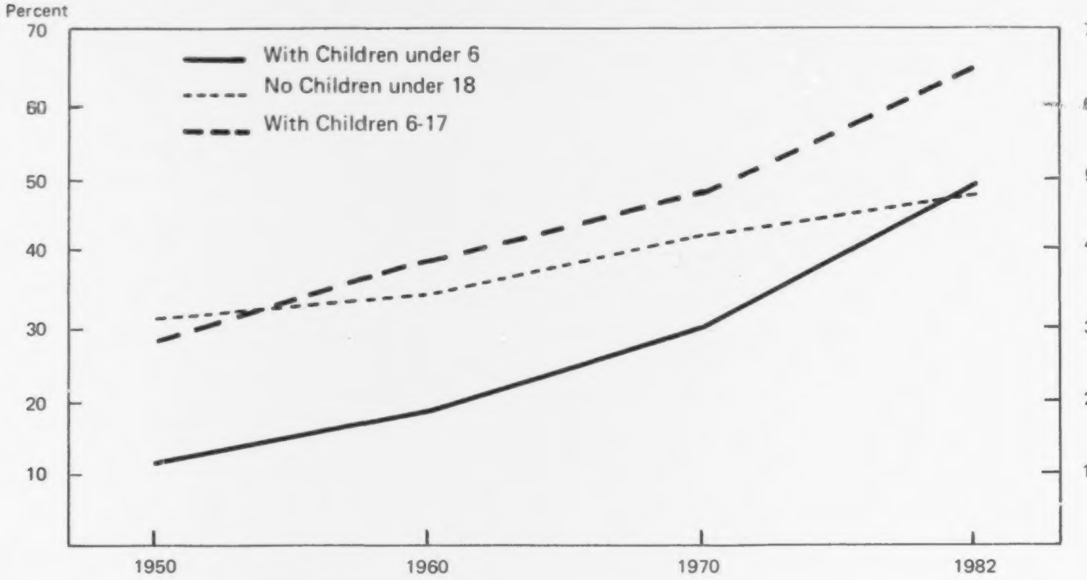
Families By Income Class 1980-1995 Projections



Source: American Demographics, 1983

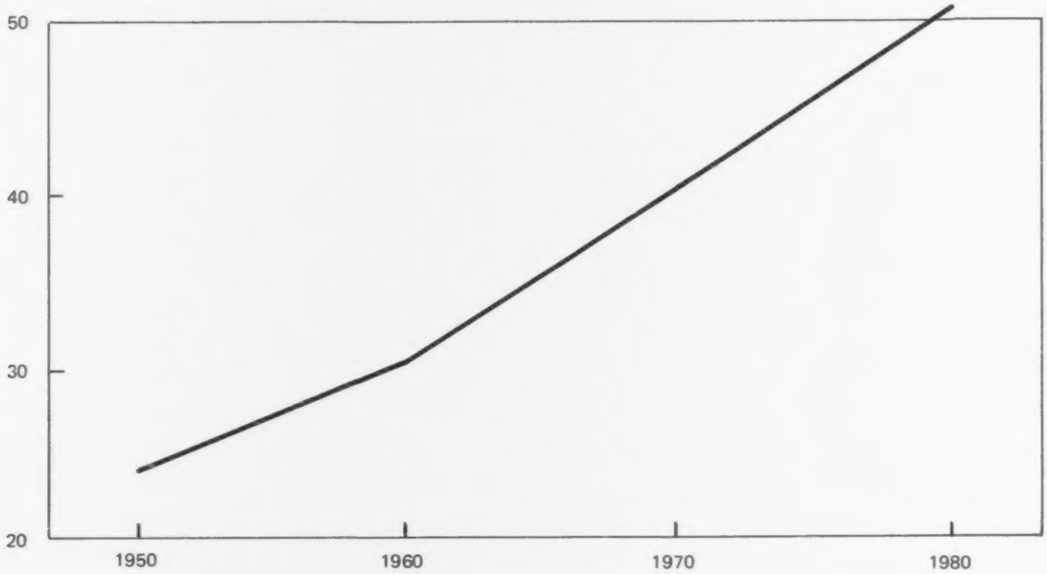
Women in the Labor Force With Children
(Women's Labor Force Participation, 1950-1982)

Women with children have been joining the labor force in recent years. A higher share of women with children than those without children are working or looking for work. This is because women without children under 18 at home are older, on average, and less likely to be attached to the work force.



Source: American Demobraphics, May 1983.

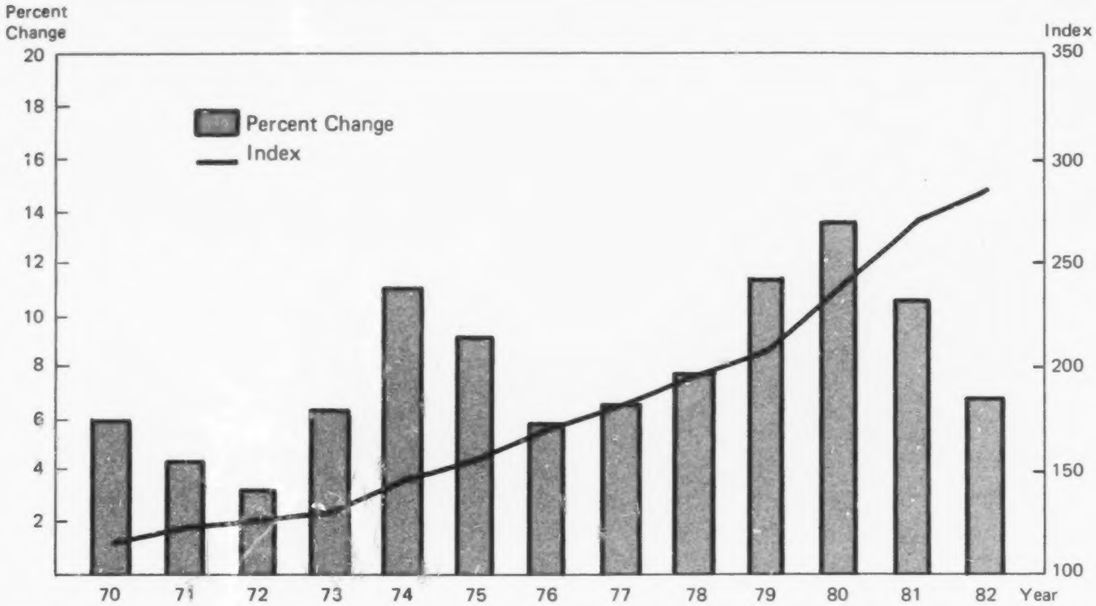
Married Couples with Wife in the Labor Force, 1950-1980



Source: American Demographics, August 1983.

Consumer Price Indexes: 1970-1982
Annual Percent Change

CPI—The CPI is a measure of average change in prices over time in a fixed "market basket" of day-to-day living goods and services purchased by urban wage earners and clerical workers and by all urban consumers.



Source: U.S. Bureau of Labor Statistics, 1983.

Catalog

Geographic Region of Purchaser Segments
Population Density of Purchaser Segments
Household Income of Purchaser Segments
Household Size of Purchaser Segments
Household Life Stage of Purchaser Segments

The NFO M.O.M.S. Program is a quarterly study of consumer purchasers from mail order catalogs. Every quarter, a questionnaire is sent to 20,000 nationally representative households. The resulting information is available on a syndicated basis, thus allowing the programs subscribers to monitor the purchase activity of a large sample of households in a cost effective manner.

Purchaser Segmentation

Geographic Region of Purchaser Segments 1982

Geographic Region	Total Population	Heavy Purchasers (over $165)	Medium Purchasers ($51-$164)	Light Purchasers ($1-$50)	Very Light/ Nonpurchasers (No Response/No Purchase)
New England	5.4%	5.3%	5.5%	5.5%	5.3%
Middle Atlantic	16.4%	16.6%	16.4%	15.7%	16.6%
East North Central	18.1%	17.5%	18.3%	18.2%	18.2%
West North Central	7.9%	8.7%	8.6%	8.5%	7.2%
South Atlantic	16.7%	16.4%	16.1%	16.4%	17.0%
East South Central	6.3%	6.0%	6.0%	6.1%	6.5%
West South Central	10.2%	12.2%	10.2%	9.5%	9.9%
Mountain	5.1%	5.0%	5.2%	5.6%	4.9%
Pacific	14.0%	12.4%	13.8%	14.4%	14.4%
	100.0%	100.0%	100.0%	100.0%	100.0%

Source: NFO's Mail Order Monitoring Service (MOMS Program), 1982.

Purchaser Segmentation

Population Density of Purchaser Segments 1982

Geographic Region	Total Population	Heavy Purchasers (over $165)	Medium Purchasers ($51-$164)	Light Purchasers ($1-$50)	Very Light/ Nonpurchasers (No Response/No Purchase)
Non-SMSA	27.9%	33.6%	30.8%	28.6%	25.2%
50,000-499,999	18.1%	16.5%	18.0%	18.4%	18.6%
500,000-1,999,999	26.9%	22.1%	25.1%	26.7%	28.7%
2,000,000 and Over	27.2%	27.8%	26.1%	26.4%	27.5%
	100.0%	100.0%	100.0%	100.0%	100.0%

Source: NFO's Mail Order Monitoring Service (MOMS Program), 1982.

Purchaser Segmentation

Household Income of Purchaser Segments 1982

Household Income	Total Population	Heavy Purchasers (over $165)	Medium Purchasers ($51-$164)	Light Purchasers ($1-$50)	Very Light/ Nonpurchasers (No Response/No Purchase)
Under $10,000	27.1%	16.9%	22.6%	26.5%	31.4%
$10,000-$14,999	14.8%	12.7%	14.5%	15.4%	15.3%
$15,000-$19,999	13.3%	14.2%	13.2%	14.3%	12.9%
$20,000-$24,999	12.3%	13.7%	13.4%	13.0%	11.3%
$25,000-$29,999	9.5%	11.4%	11.2%	9.7%	8.5%
$30,000-$34,999	7.4%	9.4%	8.1%	7.0%	6.8%
$35,000-$39,999	3.7%	5.1%	4.0%	3.6%	3.3%
$40,000 and Over	11.8%	16.6%	13.0%	10.6%	10.5%
Average Household Income	$19,010	$21,850	$20,200	$18,910	$17,960

Source: NFO's Mail Order Monitoring Service (MOMS Program), 1982.

Purchaser Segmentation

Household Size of Purchaser Segments
1982

Geographic Region	Total Population	Heavy Purchasers	Medium Purchasers	Light Purchasers	Very Light/ Nonpurchasers
		(over $165)	($51-$164)	($1-$50)	(No Response/No Purchase)
Families					
Two Members	28.6%	26.4%	27.4%	28.2%	29.7%
Three Members	17.4%	19.7%	19.0%	17.9%	16.1%
Four Members	15.5%	18.9%	17.8%	15.5%	13.9%
Five or More Members	12.6%	16.6%	13.1%	11.7%	11.6%
Nonfamilies	26.0%	18.4%	22.7%	26.7%	28.7%
Average Household Size	2.7	3.0	2.8	2.7	2.6

Source: NFO's Mail Order Monitoring Service (MOMS Program), 1982.

Purchaser Segmentation

Household Lifestage of Purchaser Segments
1982

Household Lifestage	Total Population	Heavy Purchasers	Medium Purchasers	Light Purchasers	Very Light/ Nonpurchasers
		(over $165)	($51-$164)	$1-$50)	(No Response/No Purchase)
Bachelor(ette)	9.6%	7.8%	8.7%	9.7%	10.3%
Young Couple	9.2%	9.3%	9.0%	10.8%	8.7%
Young Parent	17.8%	20.5%	19.7%	19.6%	15.9%
Middle Parent	13.0%	16.1%	14.2%	12.3%	12.0%
Older Parent	8.8%	10.9%	9.5%	8.0%	8.4%
Working Older Couple	14.1%	16.7%	15.0%	12.8%	13.6%
Retired Older Couple	13.8%	10.7%	12.1%	12.8%	15.4%
Solitary Survivor	13.8%	8.1%	11.7%	14.2%	15.8%

Source: NFO's Mail Order Monitoring Service (MOMS Program), 1982.

Circulation

Top 50 Consumer Magazines by Ad Pages per Copy
1982—Average Price per Page of Advertising—Consumer Magazines
1982—Average Price per Page of Advertising—Business Magazines
DMA Circulation Council Publications Survey, 1982

Top 50 Consumer Magazines by Ad Pages per Copy

Rank '82	Magazine Name	Avg. Advertising Pages/Copy
1	Byte	333
2	Bride's	278
3	Modern Bride	239
4	Vogue	233
5	80 Micro	209
9	Los Angeles Magazine	202
7	Cosmopolitan	189
8	Good Housekeeping	168
9	Yachting	159
10	Glamour	157
11	Institutional Investor	150
12	Chicago	146
13	Town & Country	143
14	Creative Computing	140
15	The Washingtonian	139
16	Architectural Digest	137
17	Texas Monthly	137
18	Boston	135
19	Philadelphia	131
20	Popular Photography	130
21	San Diego Magazine	130
22	Sail	129
23	Sunset	129
24	Mademoiselle	127
25	Southern Living	121
26	Modern Photography	120
27	Motor Boating & Sailing	120
28	D (Dallas/Ft. Worth)	118
29	Harper's Bazaar	116
30	Houston Home & Garden	115
31	Better Homes & Gardens	114
32	Forbes	113
33	Gentlemen's Quarterly	112
34	Skiing	112
35	Money	111
36	Seventeen	109
37	Boating	105
38	Fortune	105
39	Ski	103
40	Playboy	102
41	Trailer Life	101
42	Compute	100
43	Popular Mechanics	100
44	Family Circle	99
45	Woman's Day	98
46	Yankee	96
47	Road & Track	94
48	Travel & Leisure	93
49	Microcomputing	91
50	Model Railroader	91

Source: Figures are FOLIO estimates for the calendar year 1982.

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Average Price Paid per Page of Advertising for Consumer Magazines, 1982

	Average Price/Page	Pages Sold
1. Parade	$197,558	796
2. Family Weekly	114,470	886
3. National Geographic	97,887	238
4. Time	97,531	2,629
5. Reader's Digest	95,938	1,093
6. Better Homes & Gardens	73,472	1,365
7. Newsweek	68,236	2,863
8. TV Guide	66,779	3,616
9. Family Circle	62,801	1,691
10. Sports Illustrated	62,218	2,618
11. Playboy	61,954	1,227
12. Woman's Day	60,689	1,465
13. McCall's Magazine	58,880	1,053
14. Good Housekeeping	54,821	2,015
15. Modern Maturity	50,974	192
16. U.S. News & World Report	48,145	1,741
17. Ladies' Home Journal	47,312	917
18. People	44,665	3,567
19. Redbook	42,989	1,049
20. Life	37,188	623

Source: Figures are FOLIO estimates for the calendar year 1982.

1983 FOLIO Publishing Corporation.

Average Price Paid per Page of Advertising for Business Magazines, 1982

	Average Price/Page	Pages Sold
1. Farm Journal	$31,389	773
2. Successful Farming	19,025	755
3. Progressive Farmer	18,351	753
4. Industry Week	10,865	1,270
5. American Medical News	9,620	666
6. Instructor	8,416	769
7. Hoard's Dairyman	8,014	902
8. Nursing '82	7,477	915
9. Progressive Grocer	7,368	975
10. Supermarket News	6,734	1,211
11. Professional Builder	6,534	870
12. Business & Commercial Aviation	6,533	1,072
13. The Farmer	6,177	1,190
14. ABA Journal	5,960	544
15. Prairie Farmer	5,960	1,443
16. Restaurants & Institutions	5,913	3,011
17. Datamation	5,893	2,066
18. Meetings & Conventions	5,767	1,733
19. AOPA Pilot	5,680	557
20. Computerworld	5,680	5,023

Source: Figures are FOLIO estimates for the calendar year 1982.

1983 FOLIO Publishing Corporation.

1982 DMA Circulation Council
Publications Survey Results

Summary and Background

This report represents the DMA Research Department's findings for the *1982 Publications Survey*, a study conducted by the DMA Circulation Council, May-June 1983 among 306 publications. This is the second *Publication Survey* conducted, though the two questionnaires are not identical, and their purposes are similar but not exactly the same. The 1982 survey is the first PLANNED annual survey, which has been conducted with the intention of compiling multi-year trend data.

The 1982 study reveals the current status of the use of direct marketing techniques and other related topics of interest, with relation to the previous year. The DMA Research Department has analyzed the results of the responses with regard to the intended purpose (below) and as a comparison to the *1981 Survey of Publications*, where applicable.

Purpose

The Council's purpose of the survey is to identify and determine trends in circulation promotion.

To enable circulation executives to determine how their promotion results compared to those of other publications during the calendar year 1982. Since every publication varies in terms of their market universe, degree of market penetration, and promotion objectives, comparing specific statistics is less important than measuring overall trends by source.

Key Findings

- Three-quarters of the respondents have increased their overall budget for circulation promotion, during 1982.
- The top four media used and the degree they were used by the total respondents in 1982 differs from that of 1981:

1981	% Use	1982	% Use
Direct Mail	96%	Direct Mail	80%
Bind-Ins	77%	Bind-Ins	78%
Direct Mail Agents	75%	Space Advertising	67%
Blow-Ins	67%	Gifts	58%

- 63% of the respondents have increased their circulation rate base, 27% remained the same, and only 7% had a decrease in their rate base.
- Renewal Rates are higher for 38% of the respondents compared with the previous year.

Methodology

The method of data collection was that of a self administered mail survey with a total universe of 306 publications. The sample was made up of DMA members only: 92 Circulation Council members, 69 DMA Publishers, and 145 other DMA members.

a. A questionnaire was designed by the DMA Circulation Council.

b. Questionnaire, cover letter (signed by Bernice Grossman, Vice Chairman of the Circulation Council) and BRE was mailed early May 1983. A different letter was sent to Council members other than that sent to DMA members who were surveyed. The "P.S." of the DMA members letter was a detachable portion for members to complete with their address, if they wanted to request a summary of survey findings, when complete.

c. A follow-up letter was mailed June 3, 1983.

d. Questionnaires were hand tabulated the week of August 29, 1983 by the DMA Council's Department and the Research Department.

Respondent Profiles

Eighty One (81) DMA members, (a 25% response rate), responded to this survey. The majority of the respondents publish more than one title and more than half of the titles published have a circulation of 500,000 or less. During 1983, most companies do not plan to increase or decrease the number of titles they publish.

Number of Titles	1982 respondents
One title	25%
circulation of over 500 M	(40%)
under 500M	(50%)
Both	(10%)
More than one title	75%
circulation of over 500M	(20%)
under 500M	(57%)
Both	(23%)
Plans during 1983	
Increase the number of titles	36%
Decrease the number of titles	—
No Change	63%
No Answer	1%

New Business Promotion Sources Used	1981	1982
Direct Mail	96%	80%
First Time		(1%)
Volume		
Up		(63%)
Down		(6%)
Same		(29%)
No Answer		(1%)
Response		
Up	(47%)	(38%)
Down	(38%)	(24%)
Same	(3%)	(39%)
No Answer	(12%)	(2%)

(Cont'd)

New Business Promotion Sources Used	1981	1982
Bind-Ins	77%	78%
First Time		(5%)
Volume		
Up		(37%)
Down		(10%)
Same		(49%)
No Answer		(5%)
Response		
Up	(45%)	(38%)
Down	(32%)	(16%)
Same	(2%)	(37%)
No Answer	(11%)	(6%)
Space Advertising	35%	67%
First Time		(6%)
Volume		
Up		(20%)
Down		(20%)
Same		(52%)
No Answer		(6%)
Response		
Up	(19%)	(15%)
Down	(33%)	(6%)
Same	—	(56%)
No Answer	(48%)	(7%)
Gifts	58%	61%
First Time		—
Volume		
Up		(51%)
Down		(6%)
Same		(33%)
No Answer		(2%)
Response		
Up	(25%)	(59%)
Down	(3%)	(10%)
Same	—	(24%)
No Answer	(7%)	(6%)
Catalog Agents		59%
First Time		—
Volume		
Up		(17%)
Down		(10%)
Same		(65%)
No Answer		(8%)
Response		
Up		(19%)
Down		(8%)
Same		(54%)
No Answer		(19%)
Blow-Ins	67%	47%
First Time		(3%)
Volume		
Up		(28%)
Down		(4%)
Same		(60%)
No Answer		(4%)

New Business Promotion Sources Used	1981	1982
Blow-Ins—cont'd	67%	47%
Response		
Up	(45%)	(43%)
Down	(32%)	(17%)
Same	(2%)	(32%)
No Answer	(11%)	(4%)
Direct Mail Agents	75%	57%
First Time		—
Volume		
Up		(50%)
Down		(11%)
Same		(37%)
No Answer		(4%)
Response		
Up	(29%)	(54%)
Down	(10%)	(4%)
Same	—	(28%)
No Answer	(22%)	(13%)
Telephone	38%	43%
First Time		(16%)
Volume		
Up		(30%)
Down		(12%)
Same		(30%)
No Answer		(2%)
Response		
Up	(48%)	(30%)
Down	(9%)	(14%)
Same	(4%)	(30%)
No Answer	(39%)	(23%)
Scholastic Plan		35%
First Time		(7%)
Volume		
Up		(17%)
Down		—
Same		(71%)
No Answer		(7%)
Response		
Up		(21%)
Down		(11%)
Same		(50%)
No Answer		(18%)
Co-Op Mailings	22%	27%
First Time		(23%)
Volume		
Up		(36%)
Down		(5%)
Same		(32%)
No Answer		(5%)
Response		
Up	(23%)	(27%)
Down	(8%)	—
Same	—	(41%)
No Answer	(69%)	(9%)

(Cont'd)

New Business Promotion Sources Used	1981	1982
Cash Field Accounts		25%
First Time		(5%)
Volume		
Up		(15%)
Down		(10%)
Same		(65%)
No Answer		(5%)
Response		
Up		(15%)
Down		(20%)
Same		(55%)
No Answer		(10%)
Television	15%	22%
First Time		(11%)
Volume		
Up		(44%)
Down		(22%)
Same		(22%)
No Answer		—
Response		
Up	(22%)	(28%)
Down	(12%)	(39%)
Same	—	(17%)
No Answer	(66%)	(5%)
Newspaper Inserts	8%	17%
First Time		(21%)
Volume		
Up		(29%)
Down		(21%)
Same		(29%)
No Answer		—
Response		
Up	(40%)	—
Down	—	(36%)
Same	—	(36%)
No Answer	(60%)	(7%)
PDS Agent		15%
First Time		(6%)
Volume		#
Up		1
Down		1
Same		6
No Answer		1
Response		
Up		3
Down		2
Same		5
No Answer		2

New Business Promotion Sources Used	1981	1982
Radio		6%
First Time		—
Volume		#
Up		3
Down		1
Same		1
No Answer		1
Response		
Up		1
Down		2
Same		1
No Answer		2

Billing and Collection Results

The majority of the respondents (more than 50%) have seen no change between 1982 and 1983 with regard to collection rate on credit orders, the average number of billing efforts sent in order to collect, or the percentage of subscribers for whom you must send multiple billing efforts.

	% Replied
Status of Collection (Pay Up) Rate on Credit Orders, compared with 1982	
Higher	14%
Lower	17%
Same	56%
No Answer	14%
Status of the Average # of Billing Efforts Needed To Be Sent, compared with 1982	
Increased	16%
Decreased	2%
Same	70%
No Answer	11%
Status of Multiple Billing Efforts Needed To Be Sent To Subscribers, compared with 1982	
Increased	27%
Decreased	5%
Same	54%
No Answer	14%

Comments

Throughout the analysis it is evident that the respondents are generally successful in their promotional efforts and circulation executive's promotional plans and actual results were basically similar, during 1982. This study will be most useful and effective in the future when multi-year trend data is compiled and analyzed.

Lists

The Kleid Company Seasonality Study, 1977-1983

DMA 3rd Annual Mailing List Usage Survey, DMA List Council, 1982

Seasonality Study/Update #7—April 1983

Prepared by The Kleid Company, Inc.

Market researchers have advanced the theory that there may be no more critical factor affecting customer buying behavior than timing. They conclude that the first step in understanding the effect of timing is to discard the old notion that "a sale can be made at any time". There is nothing in customer behavior that happens consistently and evenly throughout the year.

To identify seasonal trends in direct mail precisely is not a simple matter. There are so many variables (both external and internal) which can't be correlated, scored or controlled at this point in time. Therefore, we feel that this six-year study, compiled from a comprehensive volume-based data base, can be considered directional.

So, the primary purpose of this Seasonality Study is to take a look at the emerging trends. You may wish to compare them with any patterns you have observed in your own mailings.

Let's take a look at the top three months in each category in 1981-82 and 1982-83. You will notice some changes and some consistencies:

	1981-82			1982-83		
	1	2	3	1	2	3
Business/Finance	Dec	Jan	July	Dec	Jan	Mar
Cultural Reading	Dec	June	Sept	Dec	June	Oct
General Reading	July	Dec	Jan	Dec	June	Jan
Self-Improvement	Dec	Sept	Jan	Dec	Jan	Sept
Home Interest	Feb	Jan	July	Dec	Jan	June
Parents & Children	July	Jan	Dec	July	Dec	Jan
Hobbies/Related Subjects	July	Dec	Jan	Dec	July	Jan
Entertainment	July	Aug	Sept	Dec	Jan	July
Educational, etc.	June	Dec	July	Jan	Dec	Nov
Fund Raising	Nov	Oct	Aug	Sept	Feb	Mar

NOTE: December represents mailings from about December 20 through December 31.

SEASONALITY STUDY
CATEGORY: BUSINESS/FINANCE

MONTHLY % OF TOTAL MAILINGS

	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	6-Year Average
MAR	3.3	5.8	4.6	8.7	6.2	11.2	6.6
APR	3.2	4.9	5.4	7.0	8.7	4.6	5.6
MAY	5.7	3.6	4.5	3.5	8.4	6.0	5.2
JUNE	3.7	7.0	6.1	6.1	5.9	7.6	6.1
JULY	10.3	9.1	8.7	8.7	9.4	7.9	9.0
AUG	5.0	11.2	7.2	5.3	6.9	6.3	7.0
SEPT	15.2	6.1	10.5	10.4	8.5	9.3	10.0
OCT	9.5	8.6	12.5	5.6	8.0	7.1	8.6
NOV	4.6	5.7	6.3	4.3	5.8	4.2	5.2
DEC	10.6	12.2	10.5	11.9	14.2	15.6	12.5
JAN	20.8	17.1	15.8	19.7	11.0	13.1	16.3
FEB	8.1	8.7	7.9	8.8	7.0	7.1	7.9
TOTAL	100%	100%	100%	100%	100%	100%	100%

Comments: *Business/Finance*

The big surprise is the March showing, but conclusions are difficult to draw based on just one year. December continues to be strong in the past 2 years vs January but it is still #2 on the 6 year average.

SEASONALITY STUDY
CATEGORY: CULTURAL READING

MONTHLY % OF TOTAL MAILINGS

	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	6-Year Average
MAR	4.8	4.2	4.1	2.4	4.0	6.4	4.3
APR	3.0	1.7	1.5	2.4	2.1	1.6	2.1
MAY	2.4	1.3	3.0	1.9	1.6	.4	1.7
JUNE	2.8	3.8	9.8	12.0	14.5	15.6	9.8
JULY	11.7	20.1	15.0	15.1	8.6	6.6	12.8
AUG	11.5	7.8	9.1	10.9	3.4	2.9	7.6
SEPT	14.4	16.6	5.2	8.0	13.4	10.4	11.3
OCT	10.2	7.3	6.5	6.7	7.8	11.3	8.3
NOV	1.9	1.5	2.1	4.9	4.6	2.1	2.9
DEC	11.5	13.5	24.4	21.4	21.1	33.5	20.9
JAN	19.9	13.2	11.3	8.0	9.4	6.4	11.4
FEB	5.9	9.0	8.0	6.3	9.5	2.8	6.9
TOTAL	100%	100%	100%	100%	100%	100%	100%

Comments: *Cultural Reading*

December continues to be the dominant month. June is reinforcing its popularity and October is creeping up there. Approximately 1/2 of the total mailings is represented by December & June.

SEASONALITY STUDY
CATEGORY: GENERAL READING

MONTHLY % OF TOTAL MAILINGS

	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	6-Year Average
MAR	0.9	1.3	2.8	9.8	3.5	11.4	5.0
APR	3.9	1.9	1.6	3.9	1.5	2.7	2.6
MAY	1.1	0.7	1.3	2.3	3.5	8.2	2.9
JUNE	5.2	3.0	2.8	12.5	3.1	18.2	7.5
JULY	25.8	27.2	33.6	19.3	26.0	8.6	23.4
AUG	3.4	2.1	4.7	4.5	2.4	3.5	3.4
SEPT	14.1	3.9	9.5	12.0	11.9	7.6	9.8
OCT	3.5	2.6	3.6	1.6	0.1	0.9	2.0
NOV	1.3	7.2	1.7	0.8	1.9	0.1	2.1
DEC	21.2	18.4	19.7	16.4	22.6	21.4	20.0
JAN	17.3	28.0	16.5	12.7	18.8	12.5	17.6
FEB	2.3	3.7	2.2	4.2	4.7	4.9	3.7
TOTAL	100%	100%	100%	100%	100%	100%	100%

Comments: *General Reading*

July which was prevailing in previous years showed a sharp drop, while mid-to-late June mailings showed a dramatic increase. December, traditionally #2, achieved the #1 spot. Interesting to note that March moved to #4. Incidentally, the top 3 months (Dec. June & Jan.) represent approx 52.1% of the total volume in this category.

SEASONALITY STUDY
CATEGORY: SELF-IMPROVEMENT

MONTHLY % OF TOTAL MAILINGS

	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	6-Year Average
MAR	5.2	9.6	12.6	9.0	2.2	5.8	7.4
APR	2.5	6.4	1.8	7.8	2.4	3.1	4.0
MAY	3.3	9.6	3.5	2.1	1.5	2.2	3.7
JUNE	1.9	1.4	0.9	4.3	5.6	6.8	3.5
JULY	4.3	3.5	14.1	12.1	7.3	5.1	7.7
AUG	10.5	12.7	11.3	3.6	9.0	10.8	9.7
SEPT	8.7	8.1	10.2	6.1	15.9	14.2	10.5
OCT	2.3	3.8	9.9	4.0	1.3	7.3	4.8
NOV	2.0	0.7	2.0	2.3	1.6	2.9	1.9
DEC	22.2	17.5	5.2	14.7	30.8	16.3	17.8
JAN	17.2	17.2	23.5	23.3	13.1	14.3	18.1
FEB	19.9	9.5	5.0	10.7	9.3	11.2	10.9
TOTAL	100%	100%	100%	100%	100%	100%	100%

Comments: *Self-Improvement*

While December was still #1, note the dramatic drop from 1981-82. January and September switched positions but on a very minimal difference.

SEASONALITY STUDY
CATEGORY: HOME INTEREST

MONTHLY % OF TOTAL MAILINGS

	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	6-Year Average
MAR	3.1	7.7	12.0	6.2	2.6	2.0	5.6
APR	3.2	3.3	4.1	5.0	5.3	4.1	4.1
MAY	2.9	5.6	8.1	1.2	2.4	1.4	3.6
JUNE	2.5	3.7	3.3	0.7	8.9	13.2	5.4
JULY	15.5	13.7	12.6	6.7	12.4	9.9	11.8
AUG	13.0	10.6	6.7	7.7	8.9	9.2	9.4
SEPT	6.9	11.9	10.9	14.0	9.7	7.0	10.1
OCT	7.7	7.0	9.7	10.4	8.9	9.8	8.9
NOV	0.5	0.8	2.2	0.6	0.9	1.9	1.2
DEC	20.6	11.9	11.6	14.3	7.0	20.4	14.3
JAN	18.4	11.1	5.9	18.8	14.8	15.3	14.0
FEB	5.7	12.7	12.9	14.4	18.2	5.8	11.6
TOTAL	100%	100%	100%	100%	100%	100%	100%

Comments: *Home Interest*

December hit a new low in the 1981-82 period but rebounded sharply in 1982-83. February, in the top spot last year, hit a low this year. June showed an impressive gain over previous years. On the 6 year average, the top four months are Dec., Jan., July, Feb.

SEASONALITY STUDY
CATEGORY: PARENTS AND CHILDREN

MONTHLY % OF TOTAL MAILINGS

	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	4-Year Average
MAR			5.5	2.5	2.5	3.2	3.4
APR			5.4	1.0	1.4	0.9	2.2
MAY			8.4	5.2	8.4	8.5	7.6
JUNE			6.0	3.1	3.3	3.3	3.9
JULY			17.3	19.7	23.2	18.6	19.7
AUG			11.6	15.2	12.3	11.3	12.6
SEPT			4.8	2.9	1.7	5.0	3.6
OCT			5.7	3.4	2.9	1.2	3.3
NOV			0.4	1.5	0.4	0.5	0.7
DEC			16.8	23.7	13.6	17.9	18.0
JAN			13.2	19.0	18.9	15.2	16.6
FEB			4.9	2.8	11.4	14.4	8.4
TOTAL			100%	100%	100%	100%	100%

Comments: *Parents & Children*

July, August, December & January have been consistent winners. In 1981-82 February appeared in double digits and again in 1982-83. Actually, approximately 75% of the total mailings in this category are made in these 5 months.

SEASONALITY STUDY
CATEGORY: HOBBIES - RELATED SUBJECTS

MONTHLY % OF TOTAL MAILINGS

	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	6-Year Average
MAR	3.4	5.3	5.6	6.8	3.8	2.3	4.5
APR	7.8	3.2	3.0	2.3	3.2	5.0	4.1
MAY	3.3	6.2	3.0	5.3	3.8	3.0	4.1
JUNE	5.4	2.3	9.7	2.8	6.5	4.2	5.2
JULY	13.5	17.0	14.3	22.8	22.9	17.3	18.0
AUG	7.8	7.6	6.0	8.9	7.2	8.3	7.6
SEPT	6.7	12.8	12.8	6.4	9.0	11.7	9.9
OCT	8.5	6.0	4.7	2.0	2.5	2.8	4.4
NOV	4.1	1.1	0.8	0.9	0.8	2.7	1.7
DEC	6.0	10.1	20.5	14.8	17.4	20.6	14.9
JAN	20.0	17.7	13.9	21.3	15.5	15.2	17.3
FEB	13.5	10.7	5.7	5.7	7.4	6.9	8.3
TOTAL	100%	100%	100%	100%	100%	100%	100%

Comments: *Hobbies*

Except for some minor deviations, the seasonality trends here are quite consistent.

SEASONALITY STUDY
CATEGORY: ENTERTAINMENT

MONTHLY % OF TOTAL MAILINGS

	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	6-Year Average
MAR	0.7	4.5	5.3	3.1	7.1	2.7	3.9
APR	1.5	4.3	5.9	0.9	5.1	3.2	3.5
MAY	1.6	2.7	11.2	1.7	2.3	3.1	3.8
JUNE	4.2	5.0	1.9	2.3	4.5	8.9	4.5
JULY	17.8	20.4	5.0	15.0	17.5	13.1	14.8
AUG	2.0	4.8	7.8	4.4	13.8	7.3	6.7
SEPT	11.9	8.6	7.1	15.3	12.0	11.0	11.0
OCT	7.9	7.6	5.8	6.6	8.4	8.9	7.5
NOV	3.2	3.3	3.1	7.2	5.0	2.2	4.0
DEC	19.4	11.1	32.6	14.9	8.7	17.3	17.3
JAN	25.8	22.8	11.5	19.1	7.4	16.6	17.2
FEB	4.0	4.9	2.8	9.5	8.2	5.7	5.8
TOTAL	100%	100%	100%	100%	100%	100%	100%

Comments: *Entertainment*

December, January & July on the 6 year average show a consistent pattern. August dropped considerably in 1982-83 vs. 1981-82 while September is still in there pitching.

SEASONALITY STUDY
CATEGORY: EDUCATIONAL, TECHNICAL, PROFESSIONAL

MONTHLY % OF TOTAL MAILINGS

	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	6-Year Average
MAR	4.5	3.4	38.6	2.6	4.4	8.2	10.3
APR	0.9	5.4	4.0	3.7	8.4	6.1	4.7
MAY	11.8	11.1	3.2	3.9	1.1	3.0	5.7
JUNE	0.9	6.9	3.3	3.8	33.2	9.5	9.6
JULY	14.5	2.4	5.9	12.1	9.9	1.7	7.7
AUG	6.5	9.2	3.9	10.2	3.6	8.7	7.0
SEPT	24.6	10.3	8.4	5.3	4.5	8.5	10.3
OCT	2.9	13.3	3.7	9.1	9.0	6.4	7.4
NOV	1.7	2.5	4.6	7.6	4.9	9.8	5.2
DEC	11.2	16.3	6.7	27.1	10.5	9.9	13.6
JAN	19.1	13.0	12.7	9.3	5.3	19.6	13.2
FEB	1.4	6.2	5.0	5.3	5.2	8.6	5.3
TOTAL	100%	100%	100%	100%	100%	100%	100%

Comments: *Educational*

The pattern here is discernably erratic. The #1 spot has changed in the past 6 years: Sept, Dec, Mar, June, Jan.

SEASONALITY STUDY
CATEGORY: FUND RAISING

MONTHLY % OF TOTAL MAILINGS

	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	6-Year Average
MAR	6.5	5.2	4.5	6.4	6.3	10.9	6.6
APR	9.0	6.8	9.7	3.4	6.6	5.5	6.8
MAY	6.6	3.3	4.7	5.5	5.4	6.0	5.2
JUNE	3.9	2.3	1.8	1.3	1.7	4.2	2.5
JULY	3.6	6.4	2.6	0.8	7.1	5.9	4.4
AUG	7.4	8.5	10.5	8.4	11.3	6.8	8.8
SEPT	8.5	11.0	12.5	11.6	10.6	13.3	11.3
OCT	12.7	18.1	13.9	10.3	11.5	8.9	12.6
NOV	19.5	12.5	19.3	9.3	13.6	9.0	13.9
DEC	5.3	4.8	2.6	7.9	6.6	10.8	6.3
JAN	7.6	8.2	7.6	29.6	6.4	6.4	11.0
FEB	9.4	12.9	10.3	5.5	12.9	12.3	10.6
TOTAL	100%	100%	100%	100%	100%	100%	100%

Comments: *Fund Raising*

Oct & Nov, were #1 and #2 in the first three years under study. Then the trend started to change somewhat. However, the 6 year average shows that there isn't a striking percentage difference among the top 5 months.

DMA
Mailing List Usage Survey

Overall Findings

The use of mailing lists continues to grow at a fast pace. Outside mailing list usage increased for 6% of the respondents in 1982, with an average increase of 20%. The use of in-house mailing lists increased for almost 75%, with an average increase of 20%. Only 15% of the companies reported a decline in the use of outside lists, and only 6% reported a decline in the use of in-house lists. The total number of pieces mailed has also increased for nearly 80% of the members, with an average increase of 20%.

Over 43% of respondents indicate an increase in upfront response, with an average increase of abcut 10%. Approximately 24% of responding companies experienced a decline, averaging an 8% decrease.

Participants reported changes in activity for 1982 versus 1981, and also provided their outlook for the full year of 1983. Over 60% of the respondents plan to increase the number of mailings a year in 1983 whereas, less than 30% plan to reduce the number of mailings.

A summary of individual statistics for each business category for selected portions of the survey follows.

Summary of All Replies

By Business Category

	Catalog		Publishing		Business/ Industrial		Fund Raising		Insurance		Financial		Nonprofit		Other		Companies	
Companies reporting	87		56		24		10		29		9		7		14		235	
Use of outside lists:																		
Increased	65		33		15		3		16		7		5		10		154	
Decreased	9		9		4		4		5		2		1		0		34	
Unchanged	11		14		4		3		6		0		1		2		41	
Percent Change	+	–	+	–	+	–	+	–	+	–	+	–	+	–	+	–	+	–
under 5%	5	0	1	0	0	0	1	1	1	1	0	0	1	0	0	0	9	2
5-10	9	3	8	3	2	0	0	2	3	0	1	0	1	0	1	0	25	8
11-20	18	3	10	1	7	0	0	1	6	0	4	0	1	1	4	0	50	6
21-30	12	2	4	2	3	1	3	1	0	0	2	0	0	0	4	0	29	6
over 30%	22	4	10	3	3	3	2	0	6	1	0	0	1	0	1	0	45	11
Use of house lists:																		
Increased	73		37		16		7		15		8		4		10		170	
Decreased	2		2		3		0		2		0		1		1		13	
Unchanged	10		16		4		2		10		1		2		1		46	
Percent Change	+	–	+	–	+	–	+	–	+	–	+	–	+	–	+	–	+	–
under 5%	2	2	3	0	0	0	1	0	0	0	1	0	1	0	2	0	10	2
5-10	18	0	9	1	3	0	0	0	0	1	3	0	1	0	1	0	35	2
11-20	22	0	10	1	4	0	6	0	0	0	1	0	1	1	0	0	44	2
21-30	15	0	8	0	3	1	0	0	0	1	3	0	0	0	4	0	33	2
over 30%	16	0	7	0	6	1	1	0	0	0	0	0	0	0	4	0	33	1
Number of pieces mailed:																		
Increased	64		42		20		6		22		7		5		10		176	
Decreased	4		5		1		4		5		1		2		0		22	
Unchanged	8		9		2		0		2		1		0		3		25	

(Cont'd)

Summary of All Replies *(cont'd.)*

By Business Category

	Catalog		Publishing		Business/ Industrial		Fund Raising		Insurance		Financial		Nonprofit		Other		Companies	
Percent Change	+	−	+	−	+	−	+	−	+	−	+	−	+	−	+	−	+	−
under 5%	1	0	2	0	1	0	1	1	1	1	0	1	1	0	0	0	7	3
5-10	16	2	12	0	4	0	0	3	3	1	0	0	1	0	1	0	37	6
11-20	18	2	13	1	5	0	4	0	5	2	2	0	1	2	2	0	50	7
21-30	11	0	3	1	5	1	0	0	4	0	2	0	1	0	6	0	32	2
over 30%	27	0	10	2	5	0	1	0	7	1	0	0	1	0	1	0	52	3
Upfront response:																		
Increased	42		20		13		6		14		2		4		5		106	
Decreased	21		17		5		0		4		3		1		3		54	
Unchanged	22		16		4		4		8		4		2		4		64	
Percent Change	+	−	+	−	+	−	+	−	+	−	+	−	+	−	+	−	+	−
under 5%	3	4	6	2	2	2	2	0	1	1	0	1	0	1	1	0	15	11
5-10	19	9	6	8	3	1	2	0	8	1	0	2	1	0	1	1	40	22
11-20	5	4	4	3	6	0	2	0	3	1	1	0	2	0	2	1	25	9
21-30	6	1	0	2	0	2	0	0	0	0	0	0	1	0	1	0	8	5
over 30%	7	2	3	2	2	0	0	0	2	1	1	0	0	0	0	1	15	6
List techniques																		
Merge/Purge	76		47		16		9		22		9		7		12		198	
Database	31		23		14		6		16		8		2		4		104	
Staggered Dates	46		25		11		7		13		6		2		5		115	
Personalization	25		31		10		9		18		5		3		4		105	
Premium Offer	38		34		10		4		8		2		2		6		104	
Sweepstakes	9		10		4		1		4		1		1		1		31	
Couponing	17		4		5		0		1		1		0		5		33	
Other	9		9		3		0		2		1		0		0		24	

Methodology

The Mailing List Usage Survey was sent to all List Council members and to other select DMA member companies. Out of 1000 questionnaires mailed, useable replies totaled 235; slightly less than a 25% return. All replies were turned over to an outside statistics firm, HAI Association Services, for compilation in order to maintain complete confidentiality of individual returns.

Fund Raising

Three Out Of Four People Open Fund Raising Mail
Chart A By Sex
Chart B By Age
Chart C Regional

State Laws Regulating Charitable Solicitations
(AAFRC, December 1983)

Three Out Of Four People Open Fund Raising Mail

By Joel Henkin
R. H. Bruskin Associates

A survey conducted to determine consumer attitudes toward direct mail reveals that fund raising mail is opened more often than several other kinds of mail. Therefore, direct mail *can* open new avenues for new dollars.

Chart A*

		Sex	
	Total	Men	Women
	%	%	%
Catalogs From Mail Order Companies	78	75	81
Fund Raising Mail From Charitable Organizations	72	69	75
Mail For Magazine Subscriptions	63	62	64
Mail From Insurance Companies	62	58	65
Mail From Book Clubs	57	55	60

Chart B*

			Age		
	18-24	25-34	35-49	50-64	65 & Older
	%	%	%	%	%
Usually Open Fund Raising Mail From Charitable Organizations	65	67	76	78	75

Chart C*

		Region		
	NE	NC	South	West
	%	%	%	%
Usually Open Fund Raising Mail From Charitable Organizations	74	69	73	73

*Source: R. H. Bruskin Associates, 1981

State Laws Regulating Charitable Solicitations

(As of December 1, 1983)

	Charitable Organizations						Fund-Raising Counsel	
State	**Registration or Licensing**	**Regulatory Agency**	**Cost Limitations**	**Annual Financial Reporting Requirements**	**Monetary Exemption Ceiling**	**Charitable Solicitation Disclosure**	**Registration or Licensing**	**Bonding Requirement**
Arkansas	Registration	Secretary of State Little Rock, Arkansas 72201 501-371-5156	None	By March 31 or within 90 days after close of fiscal year *	$1,000 (if all soliciting done by volunteers)	Solicitors must disclose minimum percentage of gross income received by the charity	Registration	$5,000
California	Registration	Department of Justice P.O. Box 13447 Sacramento, CA 95814 916-445-2021	None	Annual Financial Reporting Requirements are due at the same time as 990, four and one-half months after the end of the accounting period. Report due May 15. If revenue and assets are below $25,000 gross, organization can be excused for 10 consecutive years	None	"Sale for charitable purpose card" must be shown if merchandise is sold for charity	None	None
Connecticut	Registration	Dep't. of Consumer Protection 165 Capitol Hartford, CT 06115 203-566-3035	25% to 50% depending on total raised	In form described by Department within 5 months of close of fiscal year and must be audited by an independent accountant if public support exceeds $100,000 *	$5,000 (if all soliciting done by volunteers)	Professional telephone solicitor must disclose who he is and who he represents and percentage of money that will go to the charity	Registration	$10,000
District of Columbia	Licensing	Department of Licenses, Investigations & Inspections 614 H St., N.W. Washington, DC 20001 202-727-3666	None	Within 30 days after the end of a licensing period and 30 days after a demand by the mayor (formerly the commissioner) *	$1,500 (if all soliciting done by volunteers)	Solicitors must present solicitation information card to prospective donor. Card is issued by Department of Consumer and Regulatory Affairs	Licensing	None
Florida	Registration (Names of all fund-raising employees must be registered)	Department of State Division of Licensing The Capitol Tallahassee, FL 32301 904-488-5381	25% to a professional solicitor	With annual registration process on forms audited by an independent public accountant if in excess of $25,000 *	$4,000 (if all soliciting done by volunteers)	Organizations must furnish authorization to solicitors which must be exhibited on request	Licensing (Statute refers only to professional solicitors)	$10,000
Georgia	Registration	Secretary of State State Capitol Atlanta, GA 30334 404-656-2859	30% for administration and fund-raising unless exemption is given	Within 90 days after close of fiscal or calendar year. (Quarterly Reports required in first year of operation. Report must be verified by independent certified accountant if over $50,000.) *	$15,000 if costs are below 30%	Organizations must furnish donor with name of solicitor and purpose for which solicitation is being made	Registration	$10,000 or 50% of total income of PFR for preceding year, whichever is greater

(Cont'd)

State	Registration or Licensing	Regulatory Agency	Cost Limitations	Annual Financial Reporting Requirements	Monetary Exemption Ceiling	Charitable Solicitation Disclosure	Registration or Licensing	Bonding Requirement
Hawaii	Registration	Department of Regulatory Agencies Hawaii State Capitol Honolulu, Hawaii 96813 808-548-4740	10% to professional solicitors	With registration statement	$4,000 (if all soliciting is done by volunteers)	Solicitors must furnish authorization on request	Licensing	$5,000
Indiana	None	Consumer Protection Div. Attorney General 219 State House Indianapolis, Ind. 46204 317-232-6330	None	None	None	Paid solicitors must disclose percent of contribution going to charity	Registration	None
Illinois	Registration Exempt organizations are also required to register.	Attorney General State of Illinois 188 West Randolph Room 1826 Chicago, IL 60601 312-793-2595	At least 75% of gross receipts must be used for charitable purposes and not more than 25% for the cost of unordered merchandise	Within six months after end of fiscal or calendar year *	$4,000 (if all soliciting is done by volunteers)	None	Registration	$5,000
Kansas	Registration	Attorney General 301 West 10 St. Topeka, KA 913-296-3751	At least 75% of gross receipts must be used for charitable purposes and not more than 25% for the cost of unordered merchandise	Appropriate form pursuant to the Kansas Statutes Annotated Sec. 17-7500 et. seq. as part of registration	$5,000 (If all soliciting is done by volunteers)	None	Registration	$5,000
Kentucky	None	Bureau of Corrections and Attorney General Frankfort, KY 40601 502-564-6607	None	None	None	None	Registration with Attorney General, Division of Consumer Protection	None
Maine	Registration	Attorney General Augusta, ME 04333 207-289-3716	See disclosure	If more than $30,000 raised, within six months after close of fiscal year. Must be audited by independent public accountant *	$10,000 (if all soliciting is done by volunteers)	No professional fund-raiser or solicitor shall solicit funds for a charitable purpose without full disclosure to the prospective donor the estimated cost of solicitation where less than 70% of amount donated will be expended for the specific charitable purpose	Registration	$10,000
Maryland	Registration	Secretary of State State House Annapolis, MD 21414 301-269-3421	25% unless higher is authorized (Ruled unconstitutional by State Court of Appeals, but state is appealing to U.S. Supreme Court)	Most recent completed fiscal year. If in excess of $100,000 an audit is required by an independent certified public accountant according to the standards of accounting and financial reporting of voluntary health and welfare organizations *	$5,000 (if all soliciting is done by volunteers and 500,000 or less mail solicitations are sent)	None	Registration	$10,000

State	Registration or Licensing	Regulatory Agency	Cost Limitations	Annual Financial Reporting Requirements	Monetary Exemption Ceiling	Charitable Solicitation Disclosure	Registration or Licensing	Bonding Requirement
Massachusetts	Licensing	Attorney General Division of Public Charities Boston, MA 02108 617-727-2235	15% to a professional solicitor; 50% overall solicitation expense; unless higher is proven to be in public interest	On or before June 1 or before 60 days following a fiscal year ending in April or May on prescribed forms organizations receiving over $100,000 annually must file audited financial statement *	$5,000 (if all soliciting is done by volunteers)	Solicitors must exhibit authorization on request	Licensing	$10,000
Michigan	Licensing	Attorney General Charitable Trust Section 670 Law Building Lansing, MI 48913	None	With application for license or renewal for 12-month period immediately preceding the time it files *	$8,000 (if all soliciting is done by volunteers and annual report is given to contributions)	License or registration number must be written on solicitation materials	Licensing	$10,000
Minnesota	Registration	Asst. Attorney General 340 Bremer Tower 7th Place, Minnesota St. St. Paul, MN 55101	Expenses of over 30% for administration, general and fund-raising costs is presumed to be unreasonable. 30% and less can be challenged.	File annual report, financial statement, and copy of IRS 990. (If 990 meets all requirements of financial statement, it can be filed in place of financial statement.) *	$10,000 (if all soliciting is done by volunteers)	Solicitation card must be shown prior to solicitation	Licensing	up to $20,000
Nebraska	Certificate granted on basis of letter of approval obtained from county attorney of home-office county	Secretary of State Lincoln, NE 68509 402-471-2554	None	Can file IRS 990 in lieu of auditor's report *	None	Solicitor must carry and show certificate and issue receipts for donations of more than $2	None	None
Nevada	None	Attorney General Carson City, NE 89701 702-885-4170	None	By July 1 with Secretary of State *	None	None	None	None
New Hampshire	Licensing	Secretary of State Division of Welfare Concord, NH 03301 603-271-4297	85% must be applied to a charitable purpose	When requested by the director of the division *	None	None	None	None
New Jersey	Registration	Charities Registration Sec. 1100 Raymond Blvd. Newark, NJ 07102 201-648-4002	15% to professional fund-raiser and professional solicitor 50% for mail solicitation via unordered merchandise	Within 6 months after close of fiscal or calendar year *	$10,000 (if all fund raising is done by volunteers)	For telephone Solicitations must disclose name and address of organization; state amount as a percentage that will be given to organization; if no tax exempt status, that must be disclosed; must disclose percent that can be deducted as charitable contribution	Registration	$10,000

(Cont'd)

State	Registration or Licensing	Regulatory Agency	Cost Limitations	Annual Financial Reporting Requirements	Monetary Exemption Ceiling	Charitable Solicitation Disclosure	Registration or Licensing	Bonding Requirement
New York	Registration	Office of Charities Registration Department of State Albany, NY 12231 518-474-3720	50% for mail solicitation via unordered merchandise	Within 90 days after the close of its fiscal year. If in excess of $50,000 for preceding year, report must be accompanied by an opinion signed by an independent public accountant *	$10,000 (if all fund raising is done by volunteers)	None	Registration	$5,000
North Carolina	Registration	Department of Human Resources Raleigh, NC 27605 919-733-4510	None	With application for registration. CPA Audited Reports are required if more than $250,000 in support and revenue is received *	$10,000 (if all soliciting is done by volunteers)	Percent of fund raising expenses and the purpose of the organization must be given in writing upon request	Registration	$10,000
North Dakota	Licensing	Secretary of State Bismarck, ND 58501 701-224-2901	20 percent for fund-raising	Within 60 days after the close of the fiscal or calendar year if any contributions were received during the previous calendar year	None	None	Registration	None
Ohio	Registration	Attorney General Columbus, OH 43215 614-466-3180	None	By March 31 if on a calendar year; if on a fiscal year 90 days of close of fiscal year *	None	None	Registration	$5,000
Oklahoma	Registration	Commission of Charities and Corrections State Capitol, Rm. 8 Oklahoma City, OK 73105 405-521-3495	Payments to professional fund-raisers or solicitors limited to 10% of totals raised	Within 90 days of the end of the fiscal or calendar year	$10,000	Receipts must be given for contributions over $2	Registration	$2,500
Oregon	Registration	Attorney General Portland, OR 97201 503-229-5278	25% for solicitation, 50% overall, unless higher authorized	Within 4 months and 15 days of close of calendar or fiscal year *	$500	None	None	None
Pennsylvania	Registration	Commission on Charitable Organizations Dept. of State Harrisburg, PA 17120 717-783-1720	35% re-solicitation & fund-raising expenses (including payment to professional solicitor and fund-raiser) (postage is not considered a fund-raising expense) 15% to professional solicitor, unless higher authorized	Organizations receiving less than $15,000 can file signed and notarized short form; over $15,000 and under $50,000 have to accept a review by a registered, independent of organization, public accountant; over $50,000 must have a complete audit *	None	Solicitor must produce authorization on request	Licensing	$10,000
Rhode Island	Registration	Department of Business Regulations Providence, RI 02903 401-277-2405	50% re-solicitation of fund-raising expenses, 25% to professional solicitor, unless higher authorized	Within 90 days after end of fiscal year audited by an independent certified accountant *	$3,000 (if all soliciting is done by volunteers)	Identification card must be presented for each solicitation and must contain name and address of organization; purpose for which contribution is solicited; tax exempt status; percentage which may be deducted for income tax purposes	Registration	$10,000

State	Registration or Licensing	Regulatory Agency	Cost Limitations	Annual Financial Reporting Requirements	Monetary Exemption Ceiling	Charitable Solicitation Disclosure	Registration or Licensing	Bonding Requirement
South Carolina	Registration	Secretary of State Columbia, SC 29211 803-758-2244	Reasonable percentage to professional solicitor	Within six months of the close of the fiscal year *	$2,000 (if all soliciting is done by volunteers)	Solicitor must produce authorization on request	Registration	$5,000
South Dakota	Registration	Department of Commerce and Consumer Protection State Capitol Bldg. Pierre, SD 57501 605-773-3696	30% to professional fund-raiser	An independent audited annual report for contributions received of $10,000 or more as prescribed by National Health Council, National Assembly of National Voluntary Health and Social Welfare Organization Standards and forms *	$2,000 if raised in the state	None	Licensing	$20,000
Tennessee	Registration	Secretary of State Capitol Hill Bldg. Nashville, TN 37219 615-741-2555	25% for fund-raising costs; 15% to professional solicitor, unless higher authorized	Submitted as part of annual registration process, independent public accountant audit required for over $10,000 in annual contributions *	$5,000, with no restrictions; $10,000 (if all soliciting is done by volunteers)	None	Registration	$10,000
Virginia	Registration	Administrator of Consumer Affairs Richmond, VA 23219 804-786-1343	See disclosure	Submitted as part of annual registration process *	$20,000	Donors must be told minimum percent of donation which will be received by organization for its own use if less than 70% of total donation. Solicitors must produce authorization on request and furnish receipts for contributions of $5 or more	Registration	$5,000
Washington	Licensing	Department of Licensing Olympia, WA 98501 206-753-1966	20% unless higher is approved	None	$10,000 (if all soliciting is done by volunteers)	Solicitor must identify himself, the organization, and the cause	Registration	$5,000
West Virginia	Registration	Secretary of State Capitol Bldg. Charleston, WV 25305 304-345-4000	15% to professional solicitor	Financial report must accompany annual registration statement and if in excess of $50,000 required to have an audit by an independent public accountant *	$7,500 (if all soliciting is done by volunteers)	None	Registration	$10,000
Wisconsin	Registration	Department of Registration & Licensing Madison, WI 53702 608-266-0829	None	Within 6 months of the close of the fiscal or calendar year *	$3,000	Donor must be told the percentage of contribution that will go to charity	Registration	$5,000

***Indicates States which will accept Federal 990 Form in Lieu of Legislatively Mandated Annual Report**

Source: American Association of Fund-Raising Counsel, Inc., December 1983.

Consumer Attitudes

Amount of Government Regulation Needed For Promotional Materials Sent By Mail

		Sex	
	Total	**Men**	**Women**
# of Respondents	(1011)	(505)	(506)
	%	%	%
More	31	31	30
Less	19	20	18
Sufficient	35	35	36
Don't Know	15	14	16

Question: Each week people receive mail at home which promotes the sale of various products and services.

"Do you think that there should be *more* government regulation, *less* government regulation or is there sufficient regulation of the promotional materials that are sent by mail?"

Source: R. H. Bruskin Associates, OmniTel, January 30, 1981.

Amount of Government Regulation Needed For Telephone Sales Efforts

		Sex	
	Total	**Men**	**Women**
# of Respondents	(1018)	(506)	(512)
	%	%	%
More	27	23	31
Less	19	23	15
Sufficient	36	38	35
Don't Know	18	16	19

Question: Each week people receive telephone calls which promote the sale of various products and services.

"Do you think that there should be *more* government regulation, *less* government regulation, or is there sufficient regulation of the telephone for the sale of products and services?"

Source: R. H. Bruskin Associates, OmniTel, March 6, 1981.

Types and Frequency of Mail Order Problems

Problem	**Percentage**[1]
Late delivery	48%
Wrong item delivered	22
Item broken or damaged	19
Billing problem	15
Item missing without notice	14
Difficulty returning merchandise	10

[1] Total is more than 100% because more than one problem could be checked.

Source: Consumer Reports, October 1983.

Coupons

Extraction from the A. C. Nielsen
Coupon Distribution and Redemption
Pattern Report

Types of Product Manufacturers Issuing Coupons

	%
Food Items	99
Household Products	90
Toiletry Items	73
Drug Products	37

Coupons Stimulate Business

As in all business, manufacturers would not be issuing these billions of cents-off coupons if the marketplace were not receptive. Studies of consumer attitudes to coupons reveal that two out of every three households in the United States now use coupons as an integral part of their regular shopping habits because consumers say they:

- Save money
- Tell them about products and encourage them to try new products
- Reduce the cost of the products

Marketers use them to:

- Improve competitive penetration in a market
- Move out-of-balance inventories
- Stimulate product demand at the retail level as a means of obtaining retailer agreements to stock a product
- Accelerate the introduction and widespread use of a new product
- Obtain new users for an old product

More Families Using Coupons

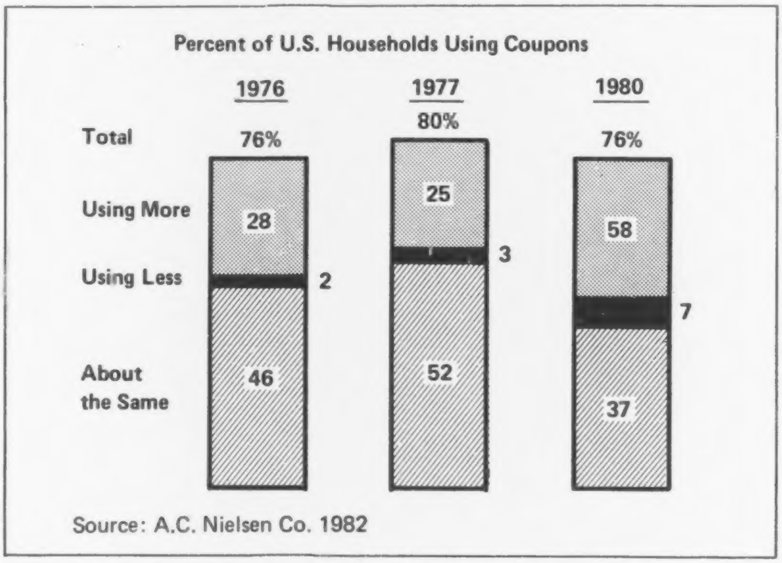
Paralleling this trend, consumer interest in coupons appears to be at an all-time high. According to the latest U.S. Department of Agriculture national survey of 1,433 consumers, four out of five families (80%) are using coupons. The U.S.D.A. survey results summarized here indicate that the percent of U.S. households using coupons increased from 76% in 1976 to 80% in 1977. moreover, it is significant to note that about one out of three coupon users say they are using more coupons than ever before.

Highlighted here are results of the U.S.D.A. nationwide, personal survey of 1,433 consumers in March 1977. Among various questions, the respondents were asked: "Compared to January 1976, how frequently do you now save and use food coupons?" As shown in the chart below, 80.2% of the total households said they were saving and using coupons. Of particular interest was the breakdown of the number of these consumers who were using more coupons (24.5% of all U.S. families), compared to those who were using less (3.1%). The rest of the coupon users (52.6%) indicated they were using coupons to about the same extent as previously. Thus, nearly one out of three families who use coupons say they are using them more often. The remaining 19.8% of all families said they do not currently use coupons.

Supporting data from the survey provides a breakdown of coupon usage in four regions of the country. This highlights the level of consumer involvement with coupons in the Northeast and the North Central regions (at 87%), with many of the people in those areas saying they are using more coupons. The South is below average in terms of coupon usage (at 68.1%), while three out of four households in the West (76.8%) indicate they are saving and using coupons.

Methods of Coupon Distribution

Along with the expansion in couponing activity, many innovative programs for distributing coupons have been

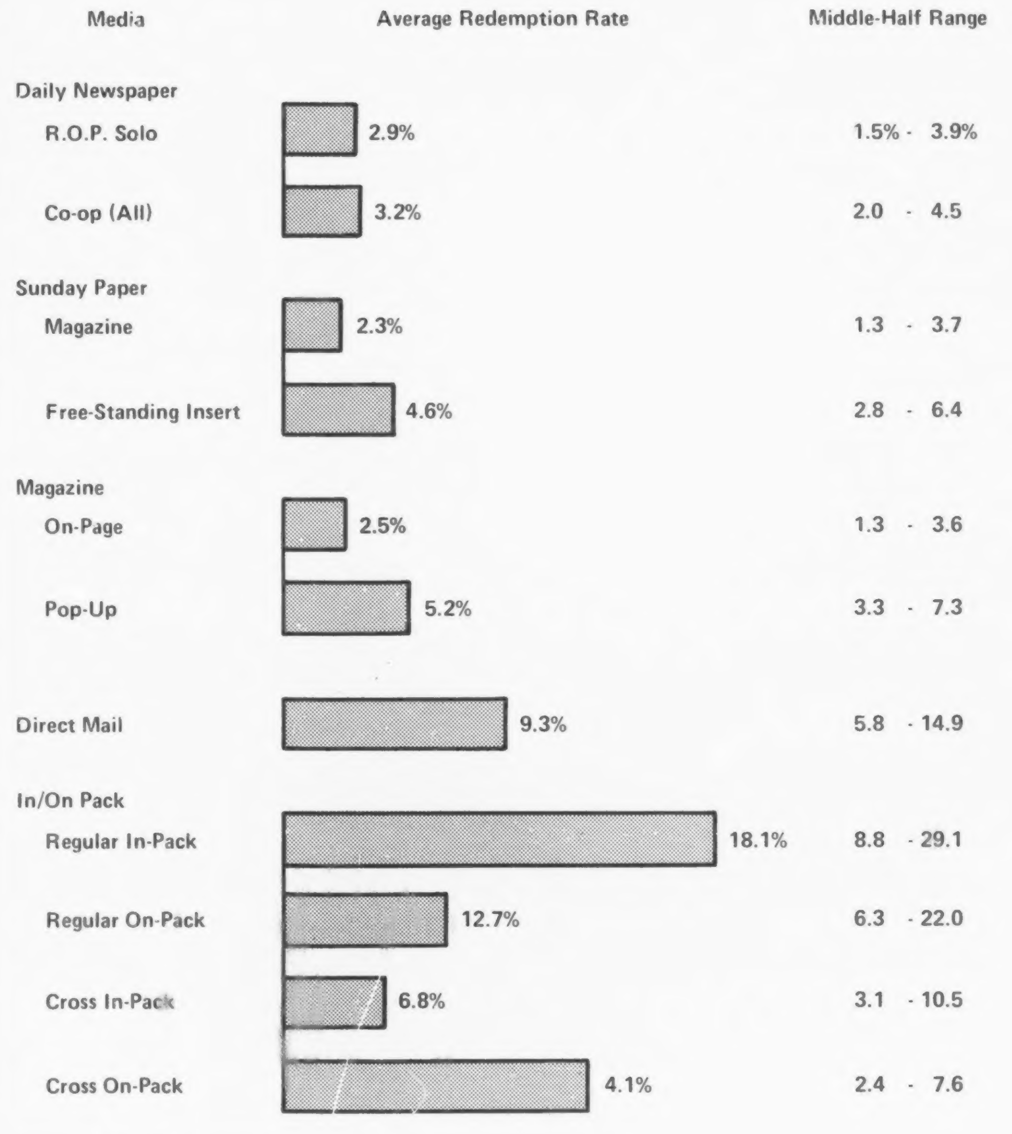


Source: A.C. Nielsen Co. 1982

developed and made available to marketers. As a result, a manufacturer can now choose from among many alternative ways to deliver his coupon programs—depending upon his individual needs and objectives.

The following chart shows the division of coupon distributions among the six principal media. Over the years, newspapers have accounted for about 75% of all the coupons in circulation. Daily newspapers carry 45.0% of all coupons in circulation. This reflects the continuing interest in and use of newspaper co-op programs, along with other newspaper couponing options.

Free-standing inserts, which are circulated with the Sunday paper, increased in 1981 to account for 26.2% of total distributions. Weekly and monthly magazines' share of coupons in circulation decreased in 1981 as did direct mail distributions.



Coupon Redemption Rates by Media
Grocery Products

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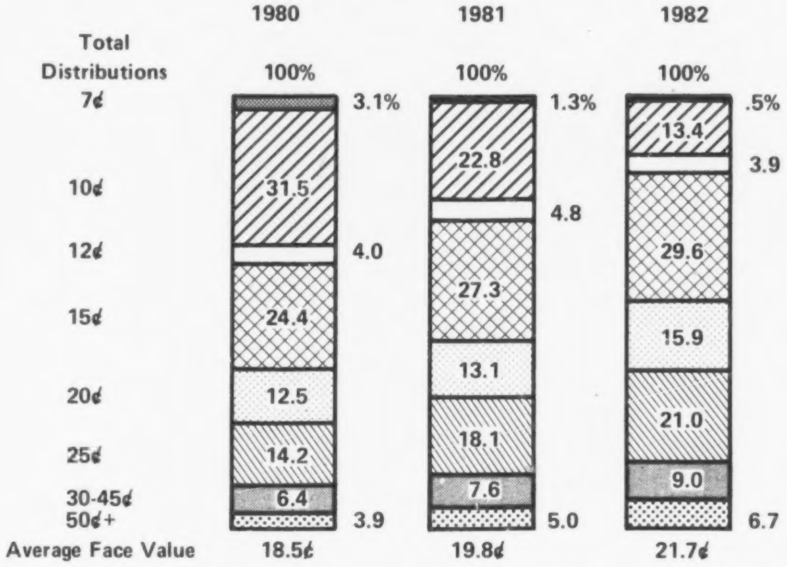
Percent of Total Coupon Distributions
By Face Value



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Percent of Distributions by Media

	1976	1977	1978	1979	1980	1981	1982
				(Billions of Coupons)			
	45.8	62.2	72.7	81.2	90.6	102.4	119.5
	%	%	%	%	%	%	%
Newspapers	55.8	56.0	55.6	52.3	48.2	45.0	38.3
Sunday Paper	9.5	8.5	7.7	9.5	9.0	7.3	6.3
Sun. Free-Stand. Insert	7.2	11.2	13.4	14.9	18.4	26.2	33.3
Magazines	15.4	12.5	11.4	12.2	13.3	11.8	11.4
Direct Mail	4.1	3.0	3.0	3.2	3.4	3.3	3.8
In/On Pack	8.0	8.2	8.9	7.9	7.7	6.4	6.9

Source: NCH Report, A. C. Nielsen Co. 1982

Appendix II

Self Regulation

by John M. Cavanaugh
DMA, New York

While the message of the early '80s from the Federal government is clearly an urging to private sectors to take care of their own problems through self regulation, the paradoxical activity of more state governments is increased legislation and regulation.

With DMA's experiences over the years, the clear response to any possible governmental position is for the industry to self regulate.

The best proof of the effectiveness of this approach may be seen in the details of the historic meeting of the 1974 Privacy Act and the Privacy Protection Study Commission with the DMA Mail Preference Service. That single DMA service to consumers helped the Commission to opt for continued self regulation of direct marketing in contrast to suggesting confining and possible debilitating legislation. DMA's efforts at self regulation turned the tide. It was a lesson not to be forgotten.

Privacy Protection Study Commission's Mandate

The Privacy Protection Study Commission was given a general mandate to look at a wide range of issues including the use of Social Security numbers, interstate transfers of information, databanks, and information systems. In addition, it was given specific directions to study "whether a person engaged in interstate commerce who maintains a mailing list should be required to remove an individual's name and address from such list upon request of that individual."

DMA and Industry Respond

The Commission's investigations which began in 1974 elicited a massive response from DMA and its members. From this response, and the subsequent positive decision by the Commission on the use of names, came the Freedom To Mail campaign and the voluntary use of individual mail preference service offerings made by direct marketers both within the DMA membership and non-members.

Freedom to Mail Campaign

A joint fund raising and public relations campaign began which created the Freedom To Mail Campaign. This campaign educated consumers and governmental representatives; urged direct marketers to adapt the rule of self regulation; monitored individual mail preference service offerings; strengthened DMA's Ethics activities, Guideline formation and distribution and DMA's own self regulatory and policing policies and practices.

Self Regulation is Good Business

When DMA initiated the Mail Preference Service in 1971, it did so with deep concern from several of its members. There was a fear that names would be lost and lists decimated. But the sensible arguments prevailed. Since that time, the industry has come to realize how practical it is to remove names of individuals from lists who do not want to receive the mailings in question.

Recent examinations of the nature of DMA's name removal lists indicated that the service is exactly on target. The list contains a large percentage of highly educated, vocal individuals who choose to limit the extent of their mailings, wish to be selective and certainly know how and where to complain if their wishes are not heeded. This highlights an all-too-often forgotten aspect of the name removal list; the fact that it gives these vocal individuals a response to their concerns and avoids the possibility of their approaching governmental groups and agencies.

On-Going Threat

DMA members must realize that the self regulation efforts of all members must be a continuous way of doing business. The threat of regulation is ever present. As new areas of direct marketing expand, new threats to direct marketing freedoms are threatened. In the early 1980s, increased emphasis on the state level can be seen relating to telephone regulations. Direct marketers are soon going to have to face the expansion of name removal to include name removal for telephone purposes. Just as surely, the introduction of cable and more direct in-home shopping services must bring renewed and refined self regulatory procedures to assure complete protection for the consumer. In response to these new areas of concern, DMA issued, in 1981, the first set of guidelines to cover some of these areas, the *PERSONAL INFORMATION PROTECTION GUIDELINES.* (These guidelines may be found elsewhere in the Fact Book). DMA is also testing a Telephone Preference Service.

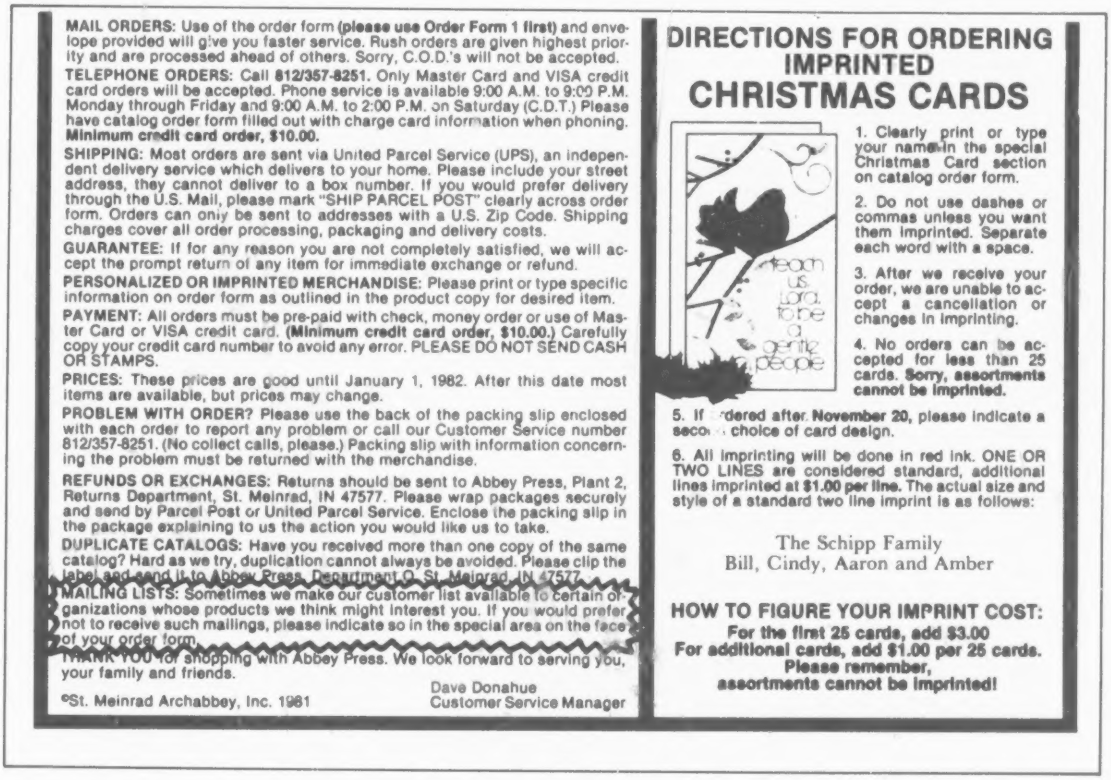
Self Regulation and Ethics

A major result of the renewed self-regulatory plan of DMA was the strengthening and restructuring of its Ethics Department. In its continuing efforts to improve the image of direct mail and direct marketing, DMA sponsors several activities in its Ethics Department.

- ***Ethical Guidelines*** are maintained, updated periodically and distributed to the field.
- ***A Committee on Ethical Business Practices*** monitors the mails and direct offerings to the consumer and investigates complaints brought to its attention.
- ***An Ethics Policy Committee*** initiates programs and projects directed toward improved ethical activitiy in the direct marketing area.
- ***MOAL (Mail Order Action Line)*** handles consumer mail order complaints, and ***MPS (Mail Preference Service)*** offers mail flow reduction to consumers.

All Ethics activities are directed by a full time Director of Ethical Practices.

SAMPLES OF NAME REMOVAL OPTIONS OFFERED BY DIRECT MARKETERS. Additional information on this matter may be obtained from DMMA's INFO CENTRAL in DMMA Headquarters, New York, NY


teach us Lord to be a gentle people

MAIL ORDERS: Use of the order form **(please use Order Form 1 first)** and envelope provided will give you faster service. Rush orders are given highest priority and are processed ahead of others. Sorry, C.O.D.'s will not be accepted.

TELEPHONE ORDERS: Call **812/357-8251.** Only Master Card and VISA credit card orders will be accepted. Phone service is available 9:00 A.M. to 9:00 P.M. Monday through Friday and 9:00 A.M. to 2:00 P.M. on Saturday (C.D.T.) Please have catalog order form filled out with charge card information when phoning. **Minimum credit card order, $10.00.**

SHIPPING: Most orders are sent via United Parcel Service (UPS), an independent delivery service which delivers to your home. Please include your street address, they cannot deliver to a box number. If you would prefer delivery through the U.S. Mail, please mark "SHIP PARCEL POST" clearly across order form. Orders can only be sent to addresses with a U.S. Zip Code. Shipping charges cover all order processing, packaging and delivery costs.

GUARANTEE: If for any reason you are not completely satisfied, we will accept the prompt return of any item for immediate exchange or refund.

PERSONALIZED OR IMPRINTED MERCHANDISE: Please print or type specific information on order form as outlined in the product copy for desired item.

PAYMENT: All orders must be pre-paid with check, money order or use of Master Card or VISA credit card. **(Minimum credit card order, $10.00.)** Carefully copy your credit card number to avoid any error. PLEASE DO NOT SEND CASH OR STAMPS.

PRICES: These prices are good until January 1, 1982. After this date most items are available, but prices may change.

PROBLEM WITH ORDER? Please use the back of the packing slip enclosed with each order to report any problem or call our Customer Service number 812/357-8251. (No collect calls, please.) Packing slip with information concerning the problem must be returned with the merchandise.

REFUNDS OR EXCHANGES: Returns should be sent to Abbey Press, Plant 2, Returns Department, St. Meinrad, IN 47577. Please wrap packages securely and send by Parcel Post or United Parcel Service. Enclose the packing slip in the package explaining to us the action you would like us to take.

DUPLICATE CATALOGS: Have you received more than one copy of the same catalog? Hard as we try, duplication cannot always be avoided. Please clip the label and send it to Abbey Press, Department O, St. Meinrad, IN 47577.

MAILING LISTS: Sometimes we make our customer list available to certain organizations whose products we think might interest you. If you would prefer not to receive such mailings, please indicate so in the special area on the face of your order form.

THANK YOU for shopping with Abbey Press. We look forward to serving you, your family and friends.

Dave Donahue
Customer Service Manager

©St. Meinrad Archabbey, Inc. 1981

DIRECTIONS FOR ORDERING IMPRINTED CHRISTMAS CARDS

1. Clearly print or type your name in the special Christmas Card section on catalog order form.
2. Do not use dashes or commas unless you want them imprinted. Separate each word with a space.
3. After we receive your order, we are unable to accept a cancellation or changes in imprinting.
4. No orders can be accepted for less than 25 cards. **Sorry, assortments cannot be imprinted.**
5. If ordered after **November 20,** please indicate a second choice of card design.
6. All imprinting will be done in red ink. ONE OR TWO LINES are considered standard, additional lines imprinted at **$1.00 per line.** The actual size and style of a standard two line imprint is as follows:

The Schipp Family
Bill, Cindy, Aaron and Amber

HOW TO FIGURE YOUR IMPRINT COST:

For the first 25 cards, add $3.00
For additional cards, add $1.00 per 25 cards.
Please remember,
assortments cannot be imprinted!

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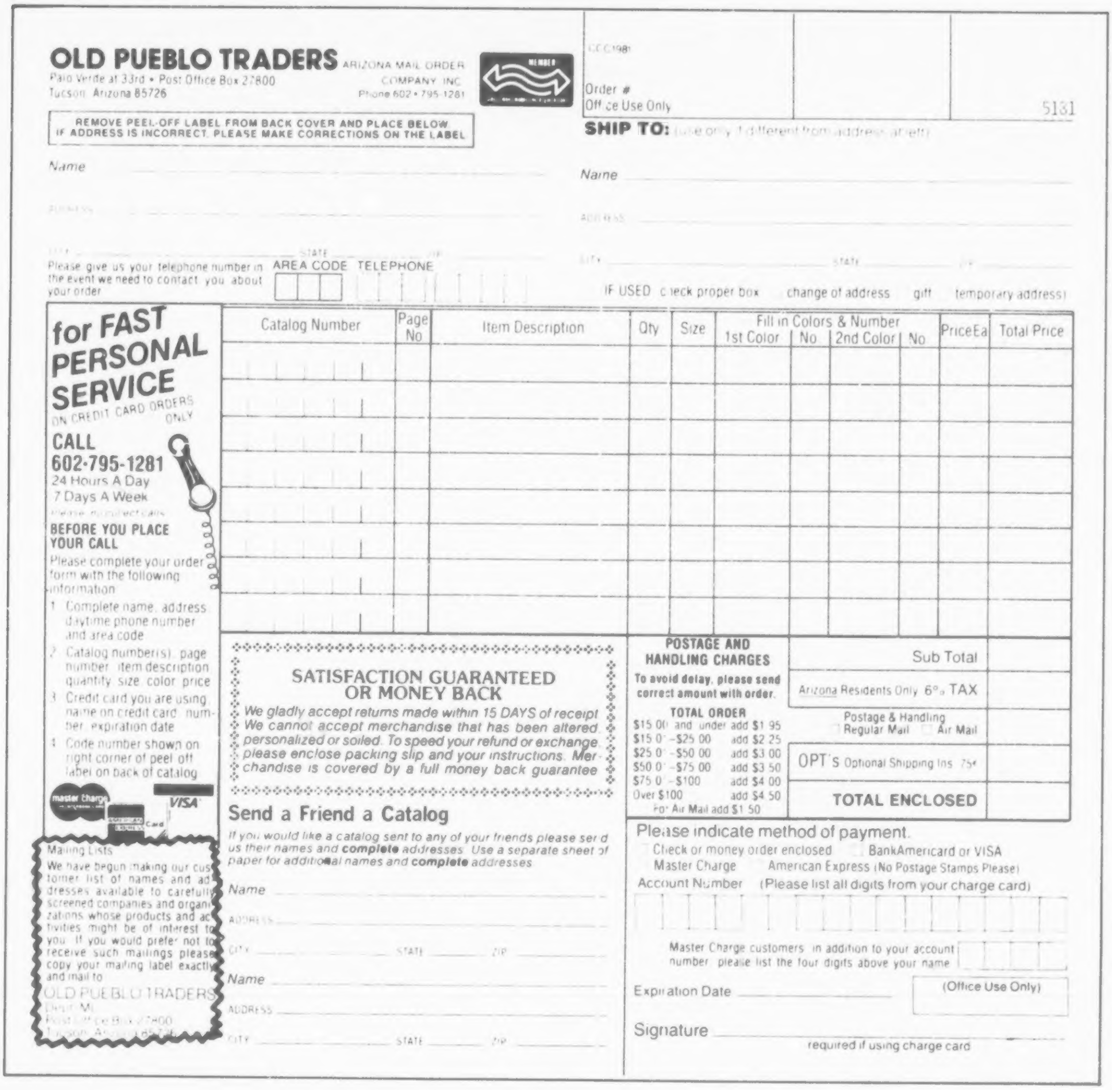

OLD PUEBLO TRADERS ARIZONA MAIL ORDER COMPANY INC

Palo Verde at 33rd • Post Office Box 27800
Tucson Arizona 85726
Phone 602 • 795-1281

CCC1981

Order #
Office Use Only

5131

REMOVE PEEL-OFF LABEL FROM BACK COVER AND PLACE BELOW
IF ADDRESS IS INCORRECT. PLEASE MAKE CORRECTIONS ON THE LABEL

Name ____________________

ADDRESS ____________________

CITY ____________ STATE ________ ZIP ________

Please give us your telephone number in the event we need to contact you about your order

AREA CODE ☐☐☐ TELEPHONE ☐☐☐☐☐☐☐

SHIP TO: (use only if different from address at left)

Name ____________________

ADDRESS ____________________

CITY ____________ STATE ________ ZIP ________

IF USED check proper box ☐ change of address ☐ gift ☐ temporary address)

for FAST PERSONAL SERVICE
ON CREDIT CARD ORDERS ONLY

CALL
602-795-1281
24 Hours A Day
7 Days A Week
Please no collect calls

BEFORE YOU PLACE YOUR CALL

Please complete your order form with the following information

1. Complete name, address, daytime phone number and area code
2. Catalog number(s), page number, item description, quantity, size, color, price
3. Credit card you are using, name on credit card, number, expiration date
4. Code number shown on right corner of peel off label on back of catalog

master charge VISA AMERICAN EXPRESS Card

Mailing Lists

We have begun making our customer list of names and addresses available to carefully screened companies and organizations whose products and activities might be of interest to you. If you would prefer not to receive such mailings please copy your mailing label exactly and mail to

OLD PUEBLO TRADERS
Dept. ML
Post Office Box 27800
Tucson, Arizona 85726

Catalog Number	Page No	Item Description	Qty	Size	Fill in Colors & Number 1st Color	No	2nd Color	No	PriceEa	Total Price

SATISFACTION GUARANTEED OR MONEY BACK

We gladly accept returns made within 15 DAYS of receipt. We cannot accept merchandise that has been altered, personalized or soiled. To speed your refund or exchange, please enclose packing slip and your instructions. Merchandise is covered by a full money back guarantee

Send a Friend a Catalog

*If you would like a catalog sent to any of your friends please send us their names and **complete** addresses. Use a separate sheet of paper for additional names and **complete** addresses*

Name ____________________

ADDRESS ____________________

CITY ____________ STATE ________ ZIP ________

Name ____________________

ADDRESS ____________________

CITY ____________ STATE ________ ZIP ________

POSTAGE AND HANDLING CHARGES

To avoid delay, please send correct amount with order.

TOTAL ORDER	
$15.00 and under	add $1.95
$15.01–$25.00	add $2.25
$25.01–$50.00	add $3.00
$50.01–$75.00	add $3.50
$75.01–$100	add $4.00
Over $100	add $4.50

For Air Mail add $1.50

Sub Total	
Arizona Residents Only 6% TAX	
Postage & Handling ☐ Regular Mail ☐ Air Mail	
OPT's Optional Shipping Ins 75¢	
TOTAL ENCLOSED	

Please indicate method of payment.
☐ Check or money order enclosed ☐ BankAmericard or VISA
☐ Master Charge ☐ American Express (No Postage Stamps Please)

Account Number (Please list all digits from your charge card)

☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

Master Charge customers, in addition to your account number, please list the four digits above your name ☐☐☐☐

Expiration Date ____________

(Office Use Only)

Signature ____________________
required if using charge card

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How to Order

It's Easy to Order by Mail

Fill out and mail this order form in one of the enclosed envelopes. As you do, keep these points in mind:

1. You can choose your method of payment—check, money order, credit card or an approved Omaha Steaks account. Due to varying market conditions, prices are subject to change. If necessary, we'll confirm new prices before shipping.

2. Our guarantee of excellent delivery is valid when you furnish proper address. We even guarantee delivery to Post Office boxes when you include the recipient's phone number.

3. A greeting with your name or company name will be imprinted on gift shipping labels. If you wish, we'll use your gift cards when you send them with your order. (max. size 3" x 5")

4. We'll confirm each order and prices with you by return mail.

Delivery
Shipments are made postpaid by United Parcel Service, Parcel Post, or Priority Mail.

Air Freight Shipments
With air freight rates constantly changing, we ask that you please call or write for details.

Other Offers
Your name, as a part of our customer family, is made available to carefully screened organizations with an offer or appeal that might interest you. If you would rather not receive such offers, please let us know.

Family or Friends in Alaska or Hawaii?
A limited selection of products is now available for you to send them. Please call or write for details.

Order Now—Pay Later
With Our Brand New
DELAYED BILLING Service
No longer will we bill you immediately for credit card orders you'd like shipped in the future. From now on, we'll hold onto those bills until two weeks before the shipment dates you request.

Order Our Special of the Day!
It may be just what you're hungry for—a box of juicy steaks, a heat-and-serve entrée, or one of the other luscious foods shown in this catalog. While it's on special, you can have it delivered with your order at a special low price! Just ask our operator about our "Special of the Day" any time you call in an order.

It's Easy to Order by Phone

And now, you can call FREE from Puerto Rico and the Virgin Islands, too!

Just call us—toll free—at (800) 228-9055 anytime, 24 hours a day, 7 days a week with credit card orders.

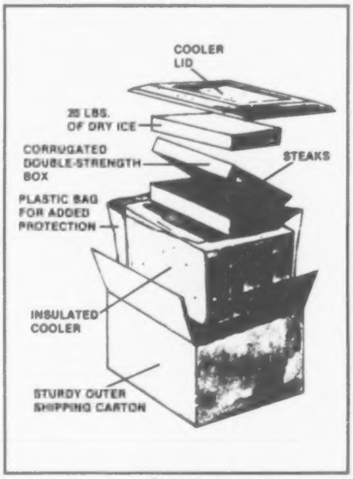
You may find it helpful to fill out an Omaha Steaks order form to use as a reference when calling.

For customer service, call (800) 228-9872 toll free—anytime.

Nebraska residents, call (402) 391-3660 collect.

Cable Address: OMASTEAK, Omaha, Nebraska Telex Number: 48-4488

How Your Frozen Foods Get From Omaha to You — in Top Condition.


COOLER LID
25 LBS. OF DRY ICE
CORRUGATED DOUBLE-STRENGTH BOX
STEAKS
PLASTIC BAG FOR ADDED PROTECTION
INSULATED COOLER
STURDY OUTER SHIPPING CARTON

© 1981 Omaha Steaks International

Your frozen food orders will arrive at your front door still firmly frozen — all the way from Omaha. Several layers of packaging, including an insulated cooler and plenty of dry ice, assure safe arrival in top condition.

We've been shipping meat across the country and around the world for over 25 years. All this experience has helped us develop our dependable method of packaging.

In fact, we're so sure this method works that we **guarantee** it. Your frozen food orders must arrive in excellent condition, or we'll replace your order or refund your money.

As a bonus for you, once you've unpacked your frozen foods, you'll be able to re-use the cooler for your own picnics. It's a $4.00 value that's yours to keep—at no extra cost.

Valuable Bonus

Omaha Steaks Cookbook
a $2.00 value

Free Cookbook

- Complete information on cooking Omaha Steaks
- Easy-to-follow instructions for all Omaha Steaks products
- Helpful serving hints
- Exclusive recipes by food authority James Beard
- Complete selection of James Beard's sauce recipes, to complement your Omaha Steaks

You must be pleased
Guarantee...
If you are not pleased for any reason, we will replace your order or refund your money, whichever you prefer.

Omaha Steaks
International
4400 South 96th Street, Omaha, Nebraska 68127

HOW TO ORDER

Easy Ordering: Order by product number, the brief description, page number, quantity and unit price. We prefer you use the order blank provided, but if you do not have one, feel free to use your own paper. When ordering package quantities indicate PKG in description. You may order by phone. Call (609) 547-8900 anytime 24 hours a day, 7 days a week. Phone service available to MasterCard, VISA, American Express and Diners Club card holders and to Edmund's approved open accounts.

Convenient Payments: For your convenience we gladly accept MasterCard, VISA, American Express and Diners Club cards. Please give number, expiration date, & your signature. We also welcome personal checks, money orders, & cashiers checks. Sorry, we are unable to accept cash, postage stamps, or C.O.D.'s.

Open Accounts are available only to firms with Dun & Bradstreet ratings of "Good" or higher, Federal and local governments, recognized schools, and well-known institutions. If you wish to establish credit with Edmund, please send one bank and three commercial references. Credit checks normally take 4 to 6 weeks. In a hurry? Send check with your firm's order as well as your credit references or use credit card.

Open Account Terms: net 30 days. Packaging & guaranteed delivery chart does not apply to open accounts. All open account orders shipped F.O.B. Barrington, N.J.

Prices: Edmund Scientific diligently strives to maintain the lowest possible prices and still offer our customers the highest quality products available. Prices in this catalog are effective September 1, 1981 and supercede all previous catalog prices. Unfortunately, due to inflation, prices must be subject to change without notice.

Gift Certificates from Edmund Scientific. Can't decide on a gift for a friend? We will send a gift certificate for $10 or more along with your best wishes and a Free Edmund Catalog. Send request to: Attention Gift Dept.

Packing and Guaranteed Delivery: Includes postage cost, insurance, guaranteed delivery, and careful individual packing and handling by Edmund Scientific. Simply find the range within the dollar amount of your order on the chart provided below and add to your total.

PACKING AND GUARANTEED DELIVERY On all orders shipped in the U.S., its territories or possessions, to each shipping address, add

Orders up to $ 10.00 add	$1.96
Orders from 10.01 to $25.00 add	$3.00
Orders from 25.01 to $50.00 add	$3.95
Orders from 50.01 to $100.00 add	$5.50
Orders from 100.01 to $200.00 add	$6.[illegible]5
Orders over $200.00 add	$9.[illegible]

Discontinued Products: If you wish to order a product from an old catalog, don't hesitate. Go ahead and order. Chances are we still have the item in stock. If not, [illegible]

Mail Preference Service: In our continuing effort to provide our customers with the best possible service, we occasionally make our mailing lists available to carefully selected, high quality companies whose products and services we feel may interest you. **You Have A Choice.** If for any reason you do NOT wish to receive these mailings, copy your mailing label exactly and return to us: Attn: Mail Preference Supervisor.

[illegible] Send us the label (s) from the additional catalog you do not want and we will promptly correct the duplication. Then, give your extra catalog to a friend.

Need More Information? Feel free to call our Main Switchboard weekdays 8 am to 4:30 pm (609) 547-3488.

You Must Be Pleased—That's Our Guarantee!

You must be completely satisfied with your Edmund purchase or we will return your money promptly, no questions asked! All our products are carefully tested for quality and are honestly described in our catalog. That means you can buy with confidence each and every time. If you're not completely happy with your purchase for any reason at all, just send back the item and we will promptly return your money. That's my personal guarantee!

Edmund Is International
Distributors Around The World

Order directly from the nearest Edmund Scientific Distributor listed below. Or write to: International Department, 101 E. Gloucester Pike, Barrington, New Jersey 08007. (Please write in English when ordering directly from Edmund U.S.A.)

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1217 Meyrin Geneva
Switzerland
Telephone (41) 022-82 85 50
Telex 28 93 66

NEW ZEALAND
BLAXALL SCIENCE
COMPANY LTD
352 Manchester St
Christchurch P.O. Box 25095
New Zealand
Phone 62829 Cable ALLBLAX
Telex NZ4500 ALLBLAX

AUSTRALIA
HUNTER SCIENTIFIC
Shop 2 "81" Hunter St
Newcastle N.S.W.
P.O. Box 2126
Dangar N.S.W. 2309

JAPAN
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c/o KOYO CORPORATION
Hibiya Park Bldg
Rm 808-9 1 Yurakucho 1-Chome
Chiyoda-Ku, Tokyo 100 Japan

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Austria, Belgium, Denmark
Finland, France, Germany
Greece, Italy, Luxemburg
Netherlands
Norway, Portugal, Spain. Write
to our office in Geneva,
Switzerland

International Prices: U.S. prices listed Net F.O.B. Barrington, N.J. Customs, duties, etc., may cause higher prices for oversea distributors. Use order blank in catalog when available or request one from your local distributor or Edmund's International Dept. Export declarations and consular documentation additional. Complete Cost & Freight Proforma invoice submitted upon request.

Terms: Prepayment of order (U.S. currency only) or irrevocable letter of credit-at-sight. UNESCO coupons accepted with prior approval.

Returns: Prior approval for all returns.

Additional Catalogs: Send $2.00 for 1st Class (sent surface mail) and $3.50 for Air Mail postage.

DIRECT ORDER TELEPHONE LINE

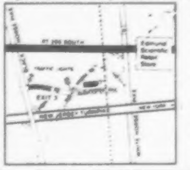
Always Open
24 Hrs. A Day
7 Days A Week

(609) 547-8900

24-Hour Telephone Service
For Credit Card Customers

VISIT OUR FACTORY RETAIL STORE

A great place to buy all items in this catalog and much, much more!



STORE HOURS:

Monday through Wednesday and Saturday: 9:00 AM to 5:30 PM
Thursday and Friday: 9:00 AM to 9:00 PM
Sunday: 12:00 Noon to 5:00 PM

CLOSED: New Year's Day, Easter Sunday, Memorial Day, Independence Day and December 25th.

And, as always, FREE LIGHT SHOWS DAILY!

Minutes from Exit 3 of the N.J. Turnpike or from the "Route 30 East" Exit of Route 295. Call us for complete directions!

Detach this
Bonus Gift
Coupon and
Send with
your order.
Your calendar
will arrive
with your
Edmund
products.

FREE BONUS GIFT!

This spectacular 12 x 12" 1982 Space Calender—a $6.95 Value!—is yours FREE with your $75.00 order from Edmund Scientific! Twelve dramatic views of the awesome realm of outer space—from the magnificent Space Shuttle Columbia to a mind-expanding artistic rendering of a meteorite gashing a crater in a young Earth!

You Must Be Pleased—
That's Our Guarantee!

You must be completely satisfied with your Edmund purchase or we will return your money promptly, no questions asked! All our products are carefully tested for quality and are honestly described in our catalog. That means you can buy with confidence each and every time. If you're not completely happy with your purchase for any reason at all, just send back the item and we will promptly return your money. That's my personal guarantee!

Order By Telephone

It's the easiest, fastest, and most convenient way to order by mail. Just call our Direct Line To Order Department, day or night, 24-hours a day, every day of the year. We gladly accept MasterCard, VISA, American Express and Diners Club credit cards. Call:

Direct Order Telephone Line
(609) 547-8900
Always Open
24-hours, 7 days a week
for our Credit Card Customers

Send A Catalog To A Friend

If you enjoy our unique catalog, so will most of your friends! Just fill in their names below and we will rush them their FREE copy of the Edmund Scientific Catalog.

Name ____________________
Address ____________________
City ____________________
State ______________ **Zip** ________

Name ____________________
Address ____________________
City ____________________
State ______________ **Zip** ________

Name ____________________
Address ____________________
City ____________________
State ______________ **Zip** ________

Give us your name and we will send the catalog with your compliments.

____

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BEST AVAILABLE COPY

PEACHTREE **REPORT** 4795-F Fulton Industrial Blvd.
Atlanta, Georgia 30336

F-1

PLACE PEEL-OFF LABEL FROM BACK COVER HERE WHETHER LABEL ADDRESS IS CORRECT OR INCORRECT. IF LABEL IS WRONG OR YOU ARE MOVING, FILL IN CORRECT INFORMATION BELOW. IF YOU RECEIVE DUPLICATE CATALOGS, PLEASE ATTACH EXTRA LABELS.

NAME

ADDRESS

CITY

STATE ZIP

PHONE ( )

☐ Check or money order enclosed, (sorry no c o d's)

We honor MasterCard ☐, VISA (BankAmericard) ☐

InterBank Number (MasterCard only)

Account number (All digits, please)

Expiration Date SIGNATURE (Required for charge orders only)

TO ORDER A GIFT CERTIFICATE Write in "gift certificate" and amount on order form with other items Please include the postage and handling amount in the amount of your certificate Add tax, if applicable Please fill in "enclosure card message" section

CUSTOMER SERVICE For inquiries other than orders, please call (404) 691 7311 We cannot accept collect calls at this number

MONOGRAM INFORMATION Specify up to 3 initials (in true order), underlining last name initial Available only where monogramming is offered

ITEMS ORDERED TOGETHER may or may not be shipped to you the same day We will notify you of any delay over 20 days in shipping Please allow extra time for monogramming or imprinting

PHONE ORDERS For fastest service please have all credit card information readily available and call

TOLL FREE
800-241-9321

Georgia residents please call 404 691 7633 collect A staff member will be happy to assist you with your shopping between the hours of 8 a m and 9 p m (EST) At other times your telephone order will be recorded for immediate processing

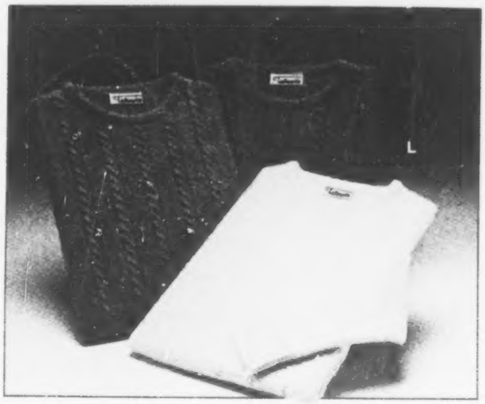
RETURN POLICY Any returns must be made within 30 days following your receipt of merchandise We cannot accept returns sent after 30 days from the date you received merchandise

ITEM NO.	DESCRIPTION OF ITEM OR GIFT CERTIFICATE	SIZE	QTY	Monogram 1-2-3	ITEM PRICE	GIFT BOXED $1.00	TOTAL CHARGE	Please print name and address for items to be shipped to address other than your own	Enclosure Card Message
								Name Address City State Zip	To From Message
								Name Address City State Zip	To From Message
								Name Address City State Zip	To From Message
								Name Address City State Zip	To From Message
								Name Address City State Zip	To From Message
								Name Address City State Zip	To From Message

Sub-Total	
Georgia Residents Add Sales Tax	
Postage, Handling and Insurance ($2.50 for one item, $5.00 for two items, $6.50 for three or more items)	
TOTAL ORDER	

SPECIAL INSTRUCTIONS:

MAIL PREFERENCE We grow by mailing our catalogs to new people Their names come from friends who ask us to mail them a catalog and from other reputable direct mail companies We also rent lists from and/or to these companies only after carefully selecting and approving the products or offers that they intend to mail to our customers If you prefer not to receive additional offers, please copy your label exactly and mail it to Mail Preference Service 4795-F Fulton Industrial Blvd Atlanta, Georgia 30336



Add Softness To Your Autumn Wardrobe.

33L. 124-4-303 Muted autumn colors and baby cables in front make this furblend sweater a beautiful addition to every wardrobe. The Talbots exclusive from Ciao Sport, Ltd., it will add softness and warmth on those cool days. Lambswool/angora/nylon. Hand wash or dry clean. Deep rose(22), violet(41), white(80), jade(12), silver grey(72). See 6B. Sizes S(6-8), M(10-12), L(14-16). $44.00

Monogram Information

1. Please write your initials on the order form with your first name first, your middle name second, and your last name third. We will place them in the proper order, according to the style you've selected. If the design has one letter larger than the others, this will be the initial of your last name. When all the letters are the same size, your last name's initial will appear last.
2. When an item can be monogrammed in a choice of colors, please refer to the list opposite and use the appropriate color number when ordering.
3. On all other monogramming, the color is coordinated to each item, and no color number is necessary.
4. Monograms are available only on those items indicated.
5. Please allow two weeks for delivery.

1. white
2. navy
3. red
4. black
5. green
6. brown
7. cream
11. yellow
12. coral
14. blue
15. charcoal
16. pink
17. hot pink
36. burgundy
41. orange
42. rust
62. raspberry
65. lavender

Guarantee

If for any reason you are not satisfied with your purchase, please return the merchandise and we will replace it or refund your money, whichever you prefer. No time limit. No exceptions. And refunds or replacements are made promptly.

Call Toll-Free

From the continental United States, Puerto Rico, and the U.S. Virgin Islands, call 800-225-8200

From Massachusetts
800-232-8181

From Alaska, Hawaii and foreign countries
617-749-7830

Hours
Monday through Friday 8:30 A.M. to 10:00 P.M.
Saturdays and Sundays 9 A.M. to 6 P.M. Eastern time

Any other time, including holidays, automatic equipment will record your call. You may either place your order or leave your number and we'll call you back.

Duplicate Mailings

If you receive more than one copy of our catalog, please send us all the labels and indicate the correct one to help us prevent this from happening again.

Shipping

Most of our merchandise is shipped within 24 hours. Sometimes, though, a supplier ships late or merchandise has to be sent back because it doesn't meet our standards. We will notify you of any delay. Unless you request differently we ship via United Parcel Service. If you select air delivery your order will be shipped U.P.S. Blue Label or Priority Mail, whichever is faster, to your location. Shipments to Alaska, Hawaii and foreign countries are sent air mail or U.P.S. and billed at cost. Canadian shipments are sent Parcel Post and billed at cost.

Mailing Lists

Occasionally we make customer names available to firms offering merchandise that may be of interest to you. If you would prefer not to receive these mailings, please copy your label exactly as it appears on this catalog and send it to: The Talbots Mail Preference Service, 164 North Street, Hingham, MA 02043.

Appendix III

Ethics

by John M. Cavanaugh
DMA, New York

The Ethics Department function within DMA is a major part of the Association's commitment to self-regulation and to the monitoring of the direct marketing arena.

Headed by a full time Director of Ethical Practices, the office is assisted by two major committees:

- *The Committee on Ethical Business Practices* (also known as the Operating Committee) examines questionable mailings or practices brought to its attention and acts to correct any activities which are contrary to the DMA Guidelines for Ethical Business Practices. The Committee also updates and maintains these Guidelines.
- *The Ethics Policy Committee* develops programs and projects that are aimed at improving the overall image of direct marketing.

The Ethics Department also periodically distributes and updates the Guidelines for Acceptance of Direct Response Broadcast Advertising, The Guidelines for Acceptance of Direct Response Print Advertising and the Personal Information Protection Guidelines.

Guidelines for Telephone Marketing Practices have been approved by the DMA Board of Directors and are now available for distribution.

The Guidelines

1. Ethical Business Practices

The Direct Marketing Association's Guidelines for Ethical Business Practices are intended to provide individuals and organizations involved in direct mail and direct marketing with principles of conduct that are generally accepted nationally and internationally. These Guidelines reflect DMA's long-standing policy of high levels of ethics and the responsibility of the Association and direct marketers to the consumer and the community—a relationship that must be based on fair and ethical principles.

What distinguishes the Guidelines, which are self-regulatory in nature, is that all are urged to support them in spirit and not to treat their provisions as obstacles to be circumvented by legal ingenuity. The Guidelines are intended to be honored in the light of their aims and principles.

These Guidelines are also part of the DMA's general philosophy that self-regulatory measures are preferable to governmental mandates whenever possible. Self-regulatory actions are more readily adaptable to changing techniques, economic and social conditions, and they encourage widespread use of sound business practices.

Because it is believed that dishonest, misleading, immoral, salacious or offensive communications make enemies for all advertising/marketing, including direct response marketing, observance of these Guidelines by all concerned is recommended.

The Terms of the Offer

Honesty — Article #1: All offers should be clear, honest and complete, so that the consumer may know the exact nature of what is being offered, the price, the terms of payment (including all extra charges), and the commitment involved in the placing of an order. Before publication of an offer, direct marketers should be prepared to substantiate any claims or offers made. Advertisements or specific claims which are untrue, misleading, deceptive, fraudulent or unjustly disparaging of competitors should not be used.

Clarity — Article #2: A simple statement of all the essential points of the offer should be clearly displayed in the promotional material. When an offer illustrates goods which are not included or cost extra, these facts should be made clear

Print Size — #3: Print which by its small size, placement or other visual characteristics is likely to substantially affect the legibility of the offer, or exceptions to it, should not be used.

Actual Conditions — Article #4: All descriptions and promises should be in accordance with actual conditions, situations and circumstances existing at the time of the promotion. Claims regarding any limitations (such as time or quantity) should be legitimate.

Disparagement — #5: Disparagement of any person or group on grounds of race, color, religion, national origin, sex, marital status or age is unacceptable.

Standards — Article #6: Solicitations should not contain vulgar, immoral, profane, or offensive matter nor promote the sale of pornographic material or other matter not acceptable for advertising on moral grounds.

Advertising to Children — Article #7: Offers suitable for adults only should not be made to children.

Photographs and Art Work — Article #8: Photographs, illustrations, artwork, and the situations they represent, should be accurate portrayals and current reproductions of the product, service, or other subject in all particulars.

Sponsor and Intent — Article #9: All direct marketing contacts should disclose the name of the sponsor and each purpose of the contact. No one should make offers or solicitations in the guise of research or a survey when the real intent is to sell products or services or to raise funds.

Identity of Seller — Article #10: Every offer and shipment should sufficiently identify the full name and street address of the direct marketer so that the consumer may contact the individual or company by mail or phone.

Solicitation in the Guide of an Invoice — Article #11: Offers that are likely to be mistaken for bills or invoices should not be used.

Postage and Handling Charges — Article #12: Postage or shipping charges and handling charges, if any, should reflect as accurately as practicable actual costs incurred.

Special Offers

Use of the Word "Free" and other Similar Representations — Article #13: A product or service which is offered without cost or obligation to the recipient may be unqualifiedly described as "free."

If a product or service is offered as "free," for a nominal cost or at a greatly reduced price and the offer requires the recipient to purchase some other product or service, all terms and conditions should be clearly and conspicuously disclosed and in close conjunction with the use of the term "free" or other similar phrase.

When the term "free" or other similar representations are made (for example, 2-for-1, half price or 1-cent offers), the product or service required to be purchased should not be increased in price or decreased in quality or quantity.

Negative Option Selling — Article #14: All direct marketers should comply with the FTC regulation governing Negative Option Plans. Some of the major requirements of this regulation are listed below:

Offers, which require the consumer to return a notice sent by the seller before each periodic shipment to avoid receiving merchandise, should contain all important conditions of the plan including:

a. A full description of the obligation to purchase a minimum number of items and all the charges involved and,

b. the procedures by which the consumer receives the announcements of selections and a statement of their frequency; how the consumer rejects unwanted items and how to cancel after completing the obligation.

The consumer should be given advance notice of the periodic selection so that the consumer may have a minimum of ten days to exercise a timely choice.

Because of the nature of this kind of offer, special attention should be given to the clarity, completeness and prominent placement of the terms in the initial offering.

Sweepstakes — Article #15: All direct marketers should abide by the DMA Guidelines for Self-Regulation of Sweepstakes Promotions. Articles #16 through #18 below contain the basic precepts of these Guidelines.

Clear and Conspicuous Disclosure of Rules — Article #16: All terms and conditions of the sweepstakes, including entry procedures, the number and types or prizes, the closing dates, eligibility requirements, and the fact that no purchase is required should be disclosed in a clear and conspicuous manner in the promotion.

Devices, check boxes, reply envelopes and the like used for entering the sweepstakes only should be as conspicuous as those utilized for ordering the product or service and entering the sweepstakes.

Prizes — Article #17: All prizes advertised should be awarded. Winners should be selected in a manner that ensures fair application of the laws of chance.

Chances of Winning — Article #18: No sweepstakes promotion, or any of its parts, should state or imply that a recipient has won a prize or overstate the chances of winning.

Price Comparisons — Article #19: Price comparisons may be made in two ways:

a. between one's price and a former, future or suggested price, or

b. between one's price and the price of a competitor's comparable product.

In all price comparisons, the compared price against which the comparison is made must be fair and accurate.

In each case of comparison to a former, suggested, or competitor's comparable product price, substantial sales should have been made at that price in the recent past.

For comparisons with a future price, there should be a reasonable expectation that the future price will be charged in the foreseeable future.

Guarantees — Article #20: If a product or service is offered with a "guarantee" or a "warranty," the terms and conditions should either be set forth in full in the promotion, or the promotion should state how the consumer may obtain a copy. The guarantee should clearly state the name and address of the guarantor and the duration of the guarantee.

Any requests for repair, replacement or refund under the terms of a "guarantee" or "warranty" should be honored promptly. In an unqualified offer of refund, repair, or replacement, the customer's preferences shall prevail.

Special Claims

Use of Test or Survey Data — Article #21: All test or survey data referred to in advertising should be competent and reliable as to source and methodology, and should support the specific claim for which it is cited. Advertising claims should not distort the test or survey results nor take them out of context.

Testimonials and Endorsements — Article #22: Testimonials and endorsements should be used only if they are:

a. authorized by the person quoted,

b. genuine and related to the experience of the person giving them, and

c. not taken out of context so as to distort the endorser's opinion or experience with the product.

The Product

Product Safety — Article #23: Products should be safe in normal use and be free of defects likely to cause injury. To that end, they should meet or exceed current, recognized health and safety norms and be adequately tested, where applicable. Information provided with the product should include proper directions for use and full instructions covering assembly and safety warnings, whenever necessary.

Product Distribution Safety — Article #24: Products should be distributed only in a manner that will provide reasonable safeguards against possibilities of injury.

Product Availability — Article #25: Direct marketers should only offer merchandise when it is on hand or when there is a reasonable expectation of its receipt.

Direct marketers should not engage in dry testing unless the special nature of that offer is disclosed in the promotion.

Fulfillment

Unordered Merchandise — Article #26: Merchandise should not be shipped without having first received a customer's permission. The exceptions are samples or gifts clearly marked as such, and merchandise mailed by a charitable organization soliciting contributions, as long as all items are sent with a clear and conspicuous statement informing the recipient of an unqualified right to treat the product as a gift and to do with it as the recipient sees fit, at no cost or obligation to the recipient.

Shipments — Article #27: Direct marketers are reminded that they should abide by the FTC regulation regarding the prompt shipment of prepaid merchandise, the Mail Order Merchandise (30 Day) Rule.

Beyond this regulation, direct marketers are urged to ship all orders as soon as possible.

Credit and Debt Collection

Equal Credit Opportunity — Article #28: A creditor should not discriminate on the basis of race, color, religion, national origin, sex, marital status or age. If the individual is rejected for credit, the creditor should be prepared to give reasons why.

Debt Collection — Article #29: Unfair, misleading, deceptive or abusive methods should not be used for collecting money. The direct marketer should take reasonable steps to assure that those collecting on the direct marketer's behalf comply with this guidelines.

Use of Mailing Lists

List Rental Practices — Article #30: Every list owner who sells, exchanges, or rents lists should see to it that each individual on the list is informed of those practices, and should offer an option to have the individual's name deleted when rentals or purchases are made. The list owner should remove names from the owner's customer or donor lists when requested directly by the individual, and by use of the DMA Mail Preference Service name removal list.

List brokers and compilers should take reasonable steps to assure that the list owners follow these list practices.

Personal Information — Article #31: All list owners, brokers and compilers should be protective of the consumer's right to privacy and sensitive to the information collected on lists and subsequently considered for transfer.

Information supplied by consumers such as, but not limited to, medical, financial, insurance or court data should not be included on lists that are rented or exchanged when there is a reasonable expectation by the consumer that the information would be kept confidential.

List Usage Agreements — Article #32: List owners, brokers, compilers and users should make every attempt to establish the exact nature of the list's intended usage prior to the sale or rental of the list. Owners, brokers and compilers should not permit the sale or rental of their lists for an offer that is in violation of any of the Ethical Guidelines of DMA. Promotions should be directed to those segments of the public most likely to be interested in their causes or to have use for their products or services.

List Abuse — Article #33: No list or list data should be used in violation of the lawful rights of the list owner nor of the agreement between the parties; any such misuse should be brought to the attention of the lawful owner.

Telephone Marketing

(See Articles #9 and #27) Reasonable Hours — Article #34: All telephone contacts should be made during reasonable hours.

Disclosure and Tactics — Article #35: All telephone solicitations should disclose to the buyer during the conversation the cost of the merchandise, all terms, conditions and the payment plan and whether there will be postage and handling charges. At no time should "high pressure" tactics be utilized.

Use of Automatic Electronic Equipment — Article #36: No telephone marketer should solicit sales using automatic electronic dialing equipment unless the telephone immediately disconnects when the called person hangs up.

Taping of Conversation — Article #37: Taping of telephone conversations should not be conducted without all-party consent or the use of a beeping device.

Telephone Name Removal/Restricted Contacts — Article #38: Telephone marketers should remove the name of any contact from their telephone lists when requested to do so.

Telephone marketers should not call telephone subscribers who have unlisted or unpublished telephone numbers unless a prior relationship exists.

Fund Raising

(See Article #26) Commission Prohibition/ Authenticity of Organization — Article #39: Fund raisers should make no percentage or commission arrangements whereby any person or firm assisting or participating in a fund raising activity is paid a fee proportionate to the funds raised, nor should they solicit for nonfunctioning organizations.

Laws, Codes, and Regulations

Article #40: Direct marketers should operate in accordance with the Better Business Bureau's Code of Advertising and be cognizant of and adhere to laws and regulations of the United States Postal Service, the Federal Trade Commission, the Federal Reserve Board, and other applicable Federal, state and local laws governing advertising, marketing practices, and the transaction of business by mail, telephone, and the print and broadcast media.

2. Acceptance of Direct-Response Broadcast Advertising

This set of guidelines deals with DMA's desire to help stations maintain ethical practices in direct response advertising, and to promote more credibility in the eyes of the consumer, and, thereby, more business for radio and television stations and their advertisers. It does not attempt to deal with the legalities of advertising procedures.

We suggest that, if you make sure all commercials have been National Association of Broadcasters (NAB) code-approved before you air them, a good share of the problems will be solved, not only legalities but complaints.

There are basically two principal types of direct response complaints:

1) Nondelivery of merchandise
2) Misrepresentation of offer

The nondelivery of merchandise caused by an honest miscalculation of the success of an offer, a strike, a production mishap—can all be dealt with by simple procedures. These are **after-the-fact** problems, appearing **after** the commercial has been aired.

The complaints of a far worse nature deal with misrepresentation of advertised merchandise. These should be dealt with **before** the commercial is aired.

Helpful consumer advice

Stations and consumers should be aware of the number of weeks it takes for delivery of merchandise. Although some advertisers may believe it may serve as a sales deterrent, stations may wish to advise advertisers to include this information in the commercial. Other helpful advice to the consumer which might also be included is the following:

a) Print the name and address to which the order is to be shipped.
b) Be sure to include your ZIP code on your order, as well as the company's ZIP code on the envelope.
c) Send checks or money orders only, no cash.

Ask for a sample of the merchandise when the commercial is in the least bit suspicious. For example, if the offer seems "too good to be true," be sure to get a sample. This sample should be a regular **production** sample, not a handmade mock-up. If the advertiser cannot submit the sample before the commercial's air date, do not run it, but wait until the sample has been received. When you get the sample and you feel certain copy and/or visual changes should be made to make the commercial more representative, ask for them. You will be surprised how many advertisers will be glad to comply with your requests.

Procedures for checking

We realize you probably have procedures that are followed when checking advertisers' authenticity and credit, but we feel these two items are worth repeating in this set of guidelines in order that you can protect the customer.

a) Obtain information about the advertiser or principals behind the company if you have reason to doubt a firm's authenticity. Addresses, telephone numbers, as well as personal references, are useful. In many cities (such as New York), post office box numbers must be accompanied by a street address. Often merely requesting such information will deter unethical advertisers.

b) If the advertiser is new to your station, check to verify integrity, stability and performance of the advertiser. The Better Business Bureau, the local consumer agencies, and the post office in the advertiser's area are good sources to check. Better yet, when you have bad experiences, let these agencies know that as well.

Some suggestions

Here are some suggestions which we feel you might want to consider:

1) Insure that the advertising message is presented with courtesy and good taste. Disturbing or annoying material should be avoided. However, do not be afraid to ask for a revision in the commercial or a copy change if you feel the commercial has gone too far.
2) Experience trains your intuition. If an intuitive reaction tells you to check an offer out very thoroughly, do so. Do not let it slip by.
3) If the business was "too easy to get," or if a large time buy came in "over the transom," be suspicious.
4) Examine whether the commercial offers misleading descriptions or visual misrepresentations of any premiums, merchandise or gifts which would distort or enlarge their value in the minds of the consumers.
5) If the offer is vague, do not approve it. If you have read the copy through twice, and you still do not know what you are getting, ask the advertiser for a clarification of the copy. Do not accept an offer unless it is clearly spelled out.
6) Insure that on-screen play and/or the voice-over adequately specify the terms of the offer and the merchandise. Insure that on-screen crawls are readable. Be certain that they move slowly enough to be read by the average viewer. If the consumer obtains unsatisfactory treatment from the advertiser, he will blame you. Insure that both visual and audio claims support each other.
7) Make yourself the surrogate viewer or listener. Are the copy and/or pictures outlandish? Are the claims so strong as to be unbelievable?

After the commercial has appeared

1) Keep a tally of the complaints you may receive from a direct response commercial. If such complaints occur frequently, discuss them with the advertiser. Satisfy yourself of the veracity of the claims and that the advertiser is taking action on the problems.
2) Maintain a private and confidential file of problem advertisers. Consult it before airing a commercial. Check it when you begin dealing with a new advertiser.
3) Stand behind the sponsor and the product you have advertised. Remember that the consumer identifies you with the advertisement. Often, in a direct response commercial, the sponsor's name may not be prominent and may be overlooked by the viewer or the listener, or the name of the parent company may not even appear but rather may be disguised as the name of the offer. Consequently, the dissatisfied consumer will turn to you.
4) If you have a problem, send in a "dummy order." Pretend you are a consumer, and place an order. Test your advertiser's responsiveness.

3. Acceptance of Print Mail-Order Advertising

This set of guidelines does not attempt to deal with the legalities of advertising procedures, but rather the ethics. Nor does it deal with the do's-and-don'ts of technical copywriting. It does deal with DMA's desire to promote more honesty in mail-order advertising, more credibility in the eyes of the consumer, and, thereby, more business for publishers and their advertisers.

There are basically two types of complaints:

1) Nondelivery of merchandise
2) Misrepresentation of offer

The nondelivery of merchandise—caused by an honest miscalculation of the success of an offer, a strike, a production mishap—can all be dealt with by simple procedures. These are **after-the-fact** problems, or **after** the ad has appeared.

The complaints of a far worse nature deal with misrepresentation of advertised merchandise. These should be dealt with **before** the ad appears.

Helpful consumer advice

Publishers and consumers should be aware that it may take three or four weeks for normal delivery of merchandise. Although it may serve as a sales deterrent, publishers may wish to include this information on their mail order pages—along with other helpful advice such as:

a) Be sure to print your order clearly.
b) Print the name and address to which the order is to be shipped.
c) Be sure to include your ZIP code on your order, as well as the company's ZIP code on the envelope.
d) Send checks or money orders only, no cash.

Publishers should ask for a sample of the merchandise when the ad is in the least bit suspicious. For example, if the offer seems too good to be true, be sure to get a sample. A **production** sample, not a handmade mock-up. If the advertiser cannot submit the sample before the closing date, pass, and wait until the next closing date. When you get the sample and you feel certain copy changes should be made to make the offer more representative, ask for them. You'll be surprised how many advertisers are glad to comply with your requests.

Warning signals

If the advertiser is new to your publication and plans to run a large ad, check to verify integrity, stability and performance of the advertiser. The Better Business Bureau, the local consumer agencies, and the post office in the advertiser's area are good sources to check. Better yet when you have bad experiences, let these agencies know that as well.

1) Experience trains your intuition. If some intuitive reaction tells you to check an ad out very thoroughly, do so. Don't let it slip by.
2) If the business was "too easy to get," or if a large order came in "over the transom"—be suspicious. Check out the credit. Check out the offer. Check out the source.
3) When the "buy" isn't smart—wrong season, wrong regions,

wrong product for your publication—check it out. Some advertisers flood the market with impressive looking contracts, hoping some will get by.

4) When an advertiser breaks all the rules in setting up an ad, be suspicious. He may indeed be the new creative genius on the scene, but more often than not, something is awry.
5) If the offer is vague, don't approve it. If you have read the copy through twice, and you still don't know what you're getting, ask the advertiser for a clarification of the copy. Don't accept an offer unless it is spelled out.
6) Make yourself the surrogate reader. Is the copy outlandish? Are the claims so strong as to be unbelievable? Be particularly wary of ads that claim to cure physical ills such as arthritis, psoriasis, gout.
7) Taste is a subjective matter, and each publisher must decide what is in good or bad taste for his audience. However, don't be afraid to ask for a new illustration or a copy change if you feel the ad has gone too far. You will probably get it.
8) The publisher should know the street address and telephone number of every advertiser. In many cities (such as New York) post office box numbers must be accompanied by a street address. If the company is very small, know the home address and phone number of the principal.

Complaints: How to appraise them What to do with them

Keep a tally of the complaints you receive. It can be a simple sheet like a "scorecard" or a sophisticated computer printout week by week. However you do it, keep score.

When the number gets out of proportion to the size of the ad, the amount of circulation covered, give the first warning to the advertiser by phone. Note the date. If complaints persist, issue a second and third warning—preferably in writing. After such warnings, it is suggested that the publisher consider dropping this advertiser from the publication. Bear in mind that for each complaint you get, there are probably many more with similar unhappy experiences.

Establish a procedure for handling reader complaints.

Recommend policy

The publisher should stand behind his advertising pages if one of his advertisers defaults on shipment or defrauds his readers. If all attempts fail to obtain replacement of merchandise or refunds for the reader directly from the advertiser, the publisher should consider—in the interests of good business—refund to the reader himself. He should then continue to try to be reimbursed by the advertiser.

Keep the lines of communication open within your own organization. When complaints start mounting, advise your own credit department. Frequently, nondelivery problems go hand-in-hand with credit problems.

Reinstatement of an advertiser

Once you have resolved an old complaint situation, it is entirely possible this advertiser will want to come back into your publication. At the time you reinstate an advertiser who has had a bad complaint record, it is a good idea to require a "performance bond." This is an amount of money to be held in escrow (by the publisher) equal to at least two times the value of the complaints received the last time the ad ran. If the complaint situation repeats itself, you should then consider dropping the offending advertiser indefinitely.

4. Personal Information Protection

The Direct Marketing Association's Personal Information Protection Guidelines are intended to provide individuals and organizations involved in direct mail and direct marketing with principles of conduct that are generally accepted. These Guidelines reflected DMA's long-standing regard for personal privacy and the responsibility of direct marketers to the consumer—a relationship that must be based on fair and just principles.

These Guidelines are also a part of the DMA's general philosophy that self-regulatory measures are more desirable than governmental mandates whenever possible. Self-regulatory actions are more readily adaptable to changing techniques, economic and social conditions, and they encourage widespread use of sound and responsible business practices.

Because it is believed that a concern for everyone's privacy with respect to truly personal information is a basis for good business practices within direct response marketing, observance of these Guidelines by all concerned is recommended.

The Direct Marketing Association recognizes the need for businesses to protect the personal privacy of individuals and their need to provide safeguards for the proper handling of personal data contained in data files. DMA strongly believes that good business practices require respect for such expectations of the individual.

Accordingly, DMA recommends the following guidelines for the handling of personal data in data files.

For purposes of these guidelines, the following definitions apply:

Individual: A natural person identified in a file by name and address or other identifier.

Personal Data: Information which is linked to an individual on a file and which is not publicly available or observable and which it may reasonably be assumed the individual intends and expects will remain private.

Direct Marketing Purposes: The purposes of direct marketing are to promote, sell and deliver goods and services; to foster such efforts through the sale, rental, compilation or exchange of lists in accordance with the principles of these Guidelines; to delete and add individuals to lists, to provide all necessary customer services including the extension of credit where appropriate; to raise funds, to perform market research and to encourage recipients to respond by taking direct action.

Article 1: Personal data should be collected by fair and lawful means for a direct marketing purpose.

Article 2: Direct marketers should limit the collection of personal data to only those data which are deemed pertinent and necessary for a direct marketing purpose and should be only used accordingly.

Article 3: Personal data which are used for direct marketing purposes should be accurate, complete and should be kept up to date to the extent practicable by the direct marketer. Personal data should be retained no longer than is required for the purpose for which they are stored.

Article 4: An individual shall have the right to request whether personal data about him/her appear on a direct marketer's file and to receive a summary of the information within a reasonable time after the request is made. An individual has the right to challenge the accuracy of personal data relating to him/her. Personal data which are shown to be incorrect should be corrected.

Article 5: Personal data should be transferred between direct markets only for direct marketing purposes. Every list owner who sells, exchanges or rents lists containing personal data should see to it that each individual on the list is informed of those practices (Self Disclosure), and should offer an option to have the individual's name deleted. The list owner should remove names from his/her lists when requested directly in a signed writing by the individual, or by use of the DMA Mail Preference Service name removal list.

List brokers and compilers should take reasonable steps to have the list owner follow these list practices.

Personal data should not be put at the disposal of any third party except as set forth in these Guidelines, or with the express consent of the individual, unless required by law.

Article 6: All list owners, brokers and compilers should be protective of the individual's right to privacy and sensitive to the information collected on lists and subsequently considered for transfer.

Personal information supplied by individuals such as, but not limited to, medical, financial, insurance or court data should not be included on lists that are rented or exchanged when there is a reasonable expectation by the individual that the information would be kept confidential.

Article 7: Each direct marketer should be responsible for the security of personal data. Strict measures should be taken to assure against unauthorized access, alteration or dissemination of personal data. Employees who have access to personal data should agree in advance to use those data only in an authorized manner.

Article 8: Visitors to areas where personal data are processed and stored should be specifically authorized by express permission of the direct marketer and should be accompanied by at least one authorized employee of the direct marketer.

Article 9: If personal data are transferred from one direct market to another for a direct marketing purpose, measures should be taken by the transferor to arrange strict security measures to assure that unauthorized access to the data is not likely during transfer procedures. It is the responsibility of the direct marketer to whom the list is transferred to arrange strict security measures to insure no unauthorized access to the list during its return to the original owner.

Article 10: The Committee on Ethical Business Practices of DMA is charged with reviewing any complaints by individuals in violation of these Guidelines and shall take appropriate action.

5. Guidelines for Telephone Marketing

The Direct Marketing Association's Guidelines for Telephone Marketing Practices are intended to provide individuals and organizations involved in direct telephone marketing with principles of conduct which are generally accepted and consistent with the ethical guidelines recommended for other marketing media. These specific Guidelines reflect the responsibilities of DMA and telephone marketers to the consumer, the community, and the industry. Telephone Marketers should also be aware of the Direct Marketing Association's Guidelines for Ethical Business Practices, the basic, more comprehensive Guidelines for all of direct marketing.

The Guidelines are self-regulatory in nature. All telephone marketers are urged to observe them and not to treat their provisions as obstacles to be circumvented. These Guidelines are intended to be honored in spirit and in letter.

The Guidelines are also part of DMA's general philosophy that self-regulatory measures are preferable to governmental mandates whenever possible. Self-regulatory actions are more readily adaptable to changing techniques, economic conditions and social conditions. Further, self-regulation encourages widespread use of sound business practices.

Because it is believed that dishonest, misleading, immoral, salacious or offensive communications make enemies for all advertising and marketing, including direct telephone marketing, observance of these Guidelines by all concerned is recommended.

Special recognition should be given to the Telephone Marketing Council of DMA who worked with the Ethical Practices Section of the Public Affairs Department of DMA in writing and approving these Guidelines.

Prompt Disclosure — Article #1: All telephone marketing contacts should promptly disclose the name of the sponsor and the primary purpose(s) of the contact. No one should make offers or solicitations in the guise of research or a survey when the real intent is to sell products or services or to raise funds.

Honesty — Article #2: All offers should be clear, honest and complete so that the recipient of the call will know the exact nature of what is being offered and the commitment involved in the placing of an order. Before making an offer, direct marketers should be prepared to substantiate any claims or offers made. Advertisements or specific claims which are untrue, misleading, deceptive, fraudulent, or unjustly disparaging of competitors should not be used. All documents confirming the transactions should contain the means for the consumer to contact the telephone marketer.

Terms — Article #3: Prior to commitments by customers, all telephone marketers should disclose the cost of the merchandise or service, all terms, conditions, payment plans and the amount or existence of any extra charges such as shipping and handling.

Reasonable Hours — Article #4: Telephone marketers should avoid making contacts during hours which are unreasonable to the recipients of the calls.

Use of Automatic Equipment — Article #5: No telephone marketer should solicit sales using automatic dialing equipment unless the telephone immediately releases the line when the called party disconnects.

Telephone marketers should avoid using such devices as automatic dialers and pre-recorded messages when in violation of tariffs, state or local laws, or these Guidelines.

Taping of Conversations — Article #6: Taping of telephone conversations should be conducted only with all-party consent or the use of a beeping device.

Name Removal — Article #7: Telephone marketers should remove the name of any contact from their telephone lists when requested to do so.

When possible, telephone marketers should offer to remove consumers' names from lists that are offered to other telephone marketers.

Minors — Article #8: Because minors are generally less experienced in their rights as consumers, telephone marketers should be especially sensitive to the obligations and responsibilities involved when dealing with them.

Prompt Delivery — Article #9: Telephone marketers should abide by the FTC's Mail Order Merchandise (30 Day) Rule when shipping prepaid merchandise.

As a normal business procedure, telephone marketers are urged to ship all orders as soon as practical.

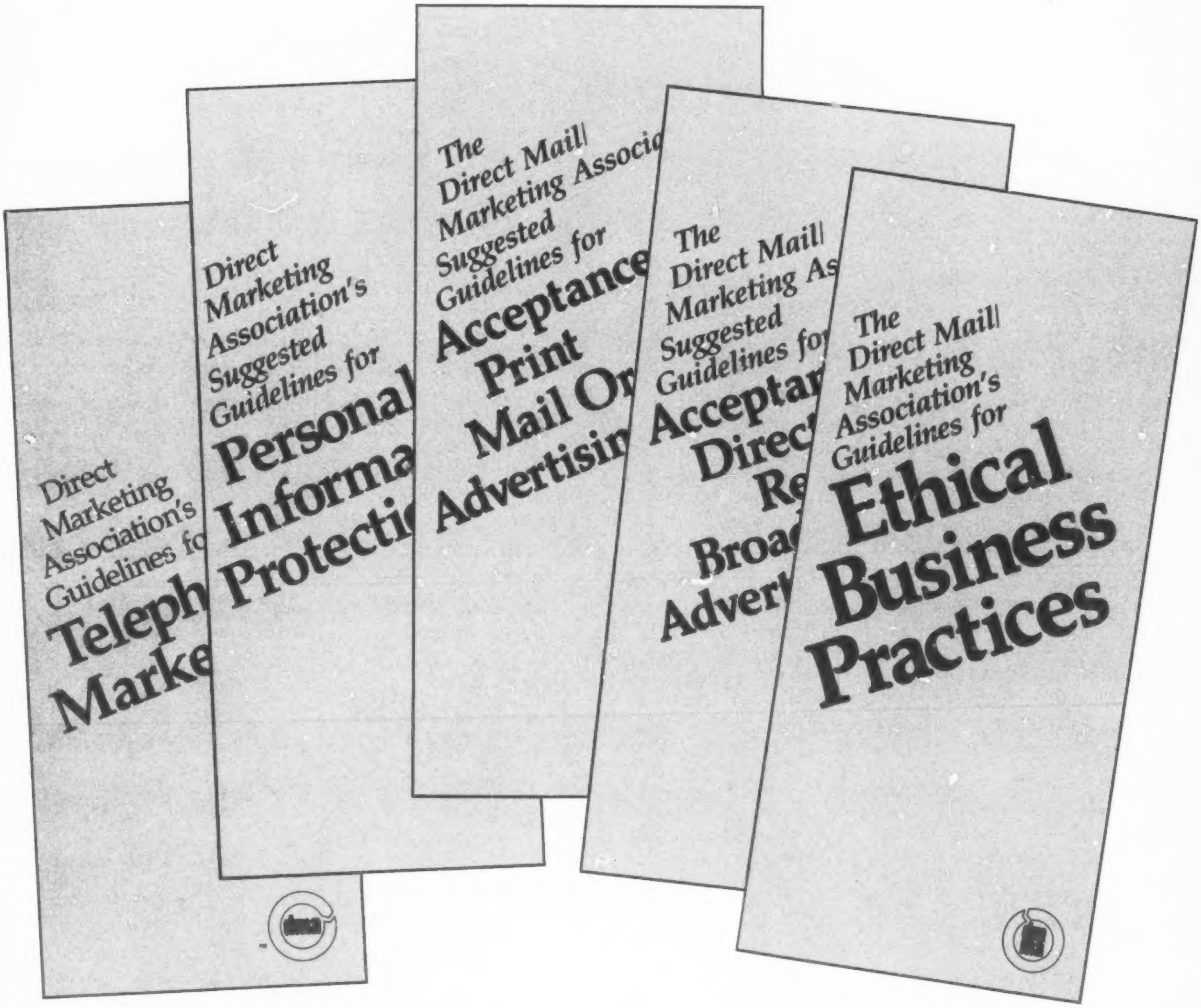
Cooling-Off Period — Article #10: Telephone marketers should honor cancellation requests which originate within three days of sales agreements.

Restricted Contacts — Article #11: Telephone marketers should avoid calling telephone subscribers who have unlisted or unpublished telephone numbers unless a prior relationship exists.

Laws, Codes and Regulations — Article #12: Telephone marketers should operate in accordance with the laws and regulations of the United States Postal Service, the Federal Communications Commission, the Federal Trade Commission, the Federal Reserve Board and other applicable Federal, state and local laws governing advertising, marketing practices and the transaction of business by mail, telephone, and the print and broadcast media.

Members and the Ethics Department

DMA members are invited to contact the Ethics Department should they have questions relating to ethical business practices, or if they receive questionable mailings or offerings which could damage the overall image of direct marketing. All members are urged to take on the additional role of the monitoring of our marketing area. All of direct marketing is improved when members help in curtailing questionable or offensive mailings or offerings.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The Direct Mail/ Marketing Association's Guidelines for
Ethical Business Practices

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Appendix IV

U.S. Direct Marketing Clubs and Contacts

ARIZONA

Phoenix
Mr. Robert B. Hanford
President
PHOENIX DIRECT MARKETING CLUB
c/o Southwest Direct Marketing Ltd.
1638 E. Candlestick Drive
Tempe, AZ 85283
602/839-9911

CALIFORNIA

Los Angeles
Mr. Howard Oberstein
President
DIRECT MARKETING CLUB OF SOUTHERN CALIFORNIA
c/o Minute Man Mailers, Inc.
510 E. Commercial Street
Los Angeles, CA 90012
213/624-0761

San Diego
Mr. James R. Rosenfield
President
SAN DIEGO DIRECT MARKETING CLUB
c/o Buchanan, Vinson
1335 Hotel Circle South
San Diego, CA 92108
619/293-3940

San Francisco
Mr. Ray Gillie
Chairman, Direct Mail Dept.
SAN FRANCISCO ADVERTISING CLUB
c/o Transo Envelope Company
1600 64th Street
P.O. Box 8365
Emeryville, CA 94608
415/654-7851

SAN FRANCISCO AD CLUB
Paula Byrens
Executive Director
681 Market Street — Room 898
San Francisco, CA 94105

COLORADO

Denver
Mr. John McKenzie
President
ROCKY MOUNTAIN DIRECT MARKETING CLUB
c/o Marketing Communications
2369 S. Trenton Way M.
Denver, CO 80321
303/751-0433

DISTRICT OF COLUMBIA

Washington
Ms. Patricia Hinkley
President
DIRECT MARKETING ASSOCIATION OF WASHINGTON
c/o National Right to Work Foundation
8001 Braddock Road — Suite 600
Springfield, VA 22160
703/321-8510

Ms. Avril Howells
President
WOMEN'S DIRECT RESPONSE GROUP
c/o Cambridge Scientific Abstract
5161 River Road
Bethesda, MD 20816
301/951-1403

FLORIDA

Ft. Lauderdale
Mr. Alan W. Birch
President
FLORIDA ASSOCIATION OF DIRECT MARKETING
c/o Stuffit Co., Inc.
12450 Automobile Drive
Clearwater, FL 33520
813/576-7883

GEORGIA

Atlanta
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President
DIRECT MAIL/MARKETING CLUB OF ATLANTA
c/o AT&T
1950 West Exchange Place
Tucker, GA 30084
404/496-3130

ILLINOIS

Chicago
Mr. Philip R. May
President
CHICAGO ASSOCIATION OF DIRECT MARKETING
c/o Cramer-Krasselt/Direct
333 North Michigan Avenue
Chicago, IL 60601
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Natalie Holmes
Executive Secretary
CADM
221 North LaSalle Street
Chicago, IL 60601
312/346-1600

Ms. Paula Wesley
President
WOMEN'S DIRECT RESPONSE GROUP
c/o Wesley Lists
3227 N. Frontage Road — Suite 2703
Arlington Heights, IL 60004
312/392-1077

INDIANA

Indianapolis
Mr. Tom Haynes
President
DIRECT MARKETING ASSOCIATION OF INDIANAPOLIS
c/o Response Communications
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Indianapolis, IN 46260
317/846-1286

KENTUCKY

Louisville
Ms. Lucy Levis
President
LOUISVILLE DIRECT MAIL/MARKETING ASSOCIATION
1821 Spring Drive
Louisville, KY 40205
502/459-0635

MASSACHUSETTS

Boston
Mr. Vin Tynan
President
NEW ENGLAND DIRECT MARKETING ASSOCIATION
c/o Small Business Service Bureau
P.O. Box 1441
Worcester, MA 01601
617/756-3513

MICHIGAN

Detroit
Mr. Russell Smith
President
DIRECT MARKETING ASSOCIATION OF DETROIT
c/o The Dy-Dee Service
8106 Fullerton
Detroit, MI 48238
313/933-2026

MINNESOTA

St. Paul
Mr. Steve Venarchick
President
MIDWEST DIRECT MARKETING ASSOCIATION
c/o The Webb Company
1999 Shepard Road
St. Paul, MN 55116
612/690-7200

MISSOURI

Kansas City
Mr. John E. Schmid
President
KANSAS CITY DIRECT MARKETING CLUB
c/o J. Schmid & Associates
3[illegible]09 W. 68th Street
Shawnee Mission, KS 66208
913/236-6669

St. Louis
Mr. Ralph Barber
President
DIRECT MARKETING CLUB OF ST. LOUIS
c/o Creative Office Systems
1601 Washington Avenue
St. Louis, MO 63103
314/436-2800

NEBRASKA

Omaha
Mr. Dan Goodkind
President
MID-AMERICA DIRECT MARKETING ASSOCIATION
c/o A-1 Direct Mail Service, Inc.
9101 "F" Street
Omaha, NE 68127
402/339-5100

NEW YORK

Hudson Valley
Mr. Arthur Winston
President
HUDSON VALLEY DIRECT MARKETING CLUB
c/o Winston & Sherman
18 East 42nd Street
New York, NY 10017
212/532-2700

Long Island
Mr. Asher B. Abelow
President
LONG ISLAND DIRECT MARKETING ASSOCIATION
c/o Abelow Response, Inc.
430 West Merrick Road
Valley Stream, NY 11580
516/825-0013

New York City
Mr. Jerry I. Reitman
President
DIRECT MARKETING CLUB OF NEW YORK
c/o Scali, McCabe, Sloves Direct Response
800 Third Avenue
New York, NY 10022
212/421-2050

Ms. Sheila Rees Foster
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WOMEN'S DIRECT RESPONSE GROUP
c/o Ed Burnett Consultants, Inc.
2 Park Avenue — 2nd Floor
New York, NY 10016
212/679-0630

Mr. Michael Fabian
President
DIRECT MARKETING CREATIVE GUILD
c/o March Direct Marketing
485 Madison Avenue
New York, NY 10017
212/286-0460

Mr. Douglas Florenzie
President
FULFILLMENT MANAGEMENT ASSOCIATION
c/o *New York* Magazine
25 West 43rd Street
New York, NY 10036

Ms. Andrea Hall
President
DIRECT MARKETING MINORITY OPPORTUNITIES
c/o RCA Records
1133 Avenue of the Americas — 6th Floor
New York, NY 10036
212/930-4166

OHIO

Cincinnati
Mr.Henry Dorfman
President
OHIO VALLEY DIRECT MARKETING CLUB
c/o Vortec Corporation
10124 Carver Road
Cincinnati, OH 45242
513/891-7474

NORTHEAST OHIO

Cleveland
Mr. Robert Silverman
President
OHIO DIRECT MAIL/MARKETING ASSOCIATION
c/o Robert Silverman, Inc.
1375 Euclid Avenue
Cleveland, OH 44115
216/771-6332

Michael Winn
Office Liaison
c/o ODMMA
6151 Wilson Mills Road
Cleveland, OH 44115
216/473-2100

OKLAHOMA

Tulsa
Mr. Mike Goldberg
President
DIRECT MARKETING ASSOCIATION OF TULSA
c/o Kraftville
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Tulsa, OK 74101
800/331-7290

OREGON

Portland
Mr. David Jacques
President
PACIFIC NORTHWEST DIRECT MARKETING CLUB
c/o Portland Mailing Services
1438 NW Hoyt
Portland, OR 97209
503/221-0707

PENNSYLVANIA

Philadelphia
Mr. John Dubeck
President
PHILADELPHIA DIRECT MARKETING ASSOCIATION
c/o Modern Marketing, Inc.
315 Westminster PA 18974
215/443-9600

TEXAS

Dallas/Ft. Worth

Mr. Dana Heter
President
DIRECT MARKETING ASSOCIATION OF NORTH TEXAS
c/o Epsilon Data Management
13628 Beta Drive
Dallas, TX 75234
214/392-2717

Houston

Mr. Robert L. Drucker
President
HOUSTON DIRECT MARKETING CLUB
c/o Fidelity Printing Company
1801 Walker Avenue
P.O. Box 2622
Houston, TX 77001
713/652-2100

Appendix V

The DMA 1983 International ECHO Award Competition Winners

Each year the Direct Marketing Association, Inc. invites direct marketers to participate in the internationally recognized ECHO Awards Competition. From hundreds of campaigns submitted, a distinguished Board of Review and Board of Judges award the Gold, Silver and Bronze ECHO Awards for the year's most successful efforts in the industry.

Now in its 54th year, the Competition has become a vital and far-reaching DMA activity, helping to inspire users, producers and suppliers alike to make direct marketing more effective. Originally conceived as "The Best of Direct Mail," the competition has been expanded to reflect the growing horizons of today's multimedia, results-oriented direct marketing.

The Competition is designed to recognize companies, agencies and individuals who have conceived, produced or used programs which have been exceptionally successful in achieving sales, marketing, fundraising or promotional goals—including those efforts which advance the state of the art. Today's ECHO awards reflect achievement in all these areas.

However, to keep alive the recognition that direct mail deserves as a vital and effective medium of direct marketing, the very special Gold Mailbox Award is presented for the most innovative use of direct mail.

The Henry Hoke Award is given by Hoke Communications for the campaign they feel reflects the most courageous solution to a difficult sales problem.

Hoke Communications for the first time this year is also awarding the *Fund Raising Magazine* Award for a courageous solution to a difficult fundraising problem by a non-profit organization.

DMA has defined Direct Marketing as an interactive system of marketing which uses one or more advertising media to effect a measurable response and/or transaction at any location.

It is our hope that, through examining the successful direct marketing campaigns submitted to the competition each year (as they travel around the world in the DMA Traveling Exhibits or in the DMA Loan Library), direct marketers may find education and assistance in future promotional activities.

1983
International
Direct
Marketing
ECHO
Award
Winners

Sponsored by
the industry's largest
direct marketing association
Direct Marketing Association, Inc.

Order Generation — Consumer

GOLD ECHO AWARD	AGENCY
Mass Marketing Systems International Agoura, CA	**In-House**
SILVER ECHO AWARD	**AGENCY**
National Geographic Society (Journey Into China) Washington, D.C.	**In-House**
BRONZE ECHO AWARD	**AGENCY**
Time Inc. New York, NY	**Ally & Gargano** New York, NY

Order Generation — Consumer Catalog

GOLD ECHO AWARD	AGENCY
The Popcorn Factory Lake Forest, IL	**Herbert Krug & Associates, Inc.** Evanston, IL
SILVER ECHO AWARD	**AGENCY**
Eddie Bauer Co. Redmond, WA	**In-House**

Order Generation — Consumer Catalog (cont.)

BRONZE ECHO AWARD	AGENCY
Community Coffee Co. Baton Rouge, LA	**Pluzynski & Associates, Inc.** New York, NY
and	
Spiegel, Inc. Oak Brook, IL	**Julie Struhar/Graphic Design** Palatine, IL

Order Generation — Business/Industrial

GOLD ECHO AWARD	AGENCY
Xerox Corporation **Business Products Division** Rochester, NY	**MARCOA** **Direct Advertising, Inc.** Chicago, IL

SILVER ECHO AWARD	AGENCY
Moore Business Forms Wheeling, IL	**Stone & Adler, Inc.** Chicago, IL

BRONZE ECHO AWARD	AGENCY
General Electric **Medium Voltage** **Switch Gear** **Business Section** Burlington, IA	**General Electric** **Corporate Marketing** **Communications Operation** Albany, NY
and	
United States Steel **Corporation** Pittsburgh, PA	**Gray Baumgarten** **Layport, Inc.** Pittsburgh, PA

Lead/Inquiry-Getting — Consumer

GOLD ECHO AWARD	AGENCY
Merrill Lynch New York, NY	**Wunderman, Ricotta & Kline** New York, NY

SILVER ECHO AWARD	AGENCY
Barnett Banks **of Florida, Inc.** Jacksonville, FL	**Yeck Brothers Company** Dayton, OH

BRONZE ECHO AWARD	AGENCY
Texas Tourist **Development Agency** Austin, TX	**Neal Spelce Communications** Austin, TX

Lead/Inquiry-Getting — Business/Industrial

GOLD ECHO AWARD	AGENCY
Associates & Larranaga Minnetonka, MN	**In-House**

SILVER ECHO AWARD	AGENCY
Harris Graphics Corporation **Commercial Press Division** Dallas, TX	**Yeck Brothers Company** Dayton, OH

BRONZE ECHO AWARD	AGENCY
Weyerhaeuser Company, **Paper Division** Plymouth Meeting, PA	**Gray & Rogers, Inc.** Philadelphia, PA

Traffic Building — Retail

GOLD ECHO AWARD	AGENCY
Edgars Stores Johannesburg, South Africa	**Ogilvy & Mather Direct** Johannesburg, South Africa

SILVER ECHO AWARD	AGENCY
Royal Viking Line San Francisco, CA	**Joseph A. Krueger &** **Associates, Inc.** San Rafael, CA

BRONZE ECHO AWARD	AGENCY
Stauffer Chemical Company Westport, CT	**Stone & Adler, Inc.** New York, NY

Traffic Building — Non-Retail

GOLD ECHO AWARD	AGENCY
Pan American World **Airways, Inc.** New York, NY	**Epsilon** Burlington, MA **Wells, Rich, Greene** New York, NY **Wunderman, Ricotta & Kline** New York, NY

SILVER ECHO AWARD	AGENCY
Ogden Leisure East Boston, MA	**Hub Advertising** Boston, MA

BRONZE ECHO AWARD	AGENCY
Brookfield Zoo Brookfield, IL	**Kobs & Brady Advertising, Inc.** Chicago, IL

Fundraising

GOLD ECHO AWARD	AGENCY
Direct Marketing **Educational Foundation** New York, NY	**Stone & Adler, Inc.** Chicago, IL

SILVER ECHO AWARD	AGENCY
Save the Children **Federation** Westport, CT	**Rapp & Collins, Inc.** New York, NY

BRONZE ECHO AWARD	AGENCY
Alton Ochsner Medical **Foundation** New Orleans, LA	**Endata, Inc.** Nashville, TN

Promotional Direct Mail

GOLD ECHO AWARD	AGENCY
Chuck E. Cheeses **Pizza Time Theatre, Inc.** Sunnyvale, CA	**In-House**

SILVER ECHO AWARD	AGENCY
United Services **Automobile Association** (USAA) San Antonio, TX	**Warren Reed & Friends, Inc.** San Antonio, TX

Promotional Direct Mail (cont.)

BRONZE ECHO AWARD	AGENCY
IBM Netherlands N.V. Amsterdam, Holland	**Visser 't Hooft Advertising** Amsterdam, Holland

Gold Mailbox Award

For the most innovative use of direct mail

	AGENCY
Associates & Larranaga Minnetonka, MN	**In-House**

Henry Hoke Award

For the most courageous solution to a difficult sales problem

	AGENCY
IBM Canada Ltd Don Mills, Ontario	**In-House**

Fund Raising Management Magazine Award

Given to a non-profit organization which has employed a courageous solution to a difficult fundraising problem

	AGENCY
The Children's Museum of Denver Denver, CO	**In-House**

Direct Marketing Leaders

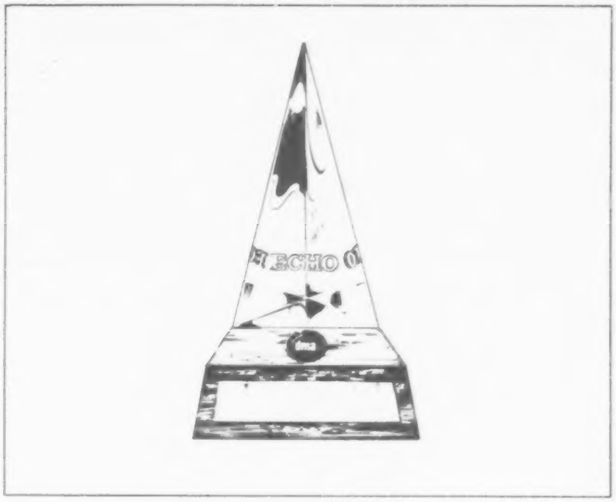
ADVERTISER	AGENCY
Abbott Laboratories Chicago, IL	**In-House**
Allstate Insurance Company Northbrook, IL	**Stone & Adler, Inc.** Chicago, IL
Ambassador Publishing Services Pasadena, CA	**In-House**
American Bell Inc. Parsippiny, NJ	**Wunderman, Ricotta & Kline** New York, NY
BASF Systems Corporation Bedford, MA	**Hub Mail, Advertising** Boston, MA
C.A.C.I., Inc. New York, NY	**In-House**
Chemical Bank New York, NY	**DeMartino/Schultz, Inc.** New York, NY
The Children's Museum of Denver Denver, CO	**In-House**
Conde Nast Publications, Inc. New York, NY	**Rapp & Collins, Inc.** New York, NY
Consumers Union Foundation, Inc. Mount Vernon, NY	**Campaign Communications Institute of America** New York, NY
Conway Communications Exchange, Inc. Conway, AR	**In-House**
CP Air Vancouver, B.C. Canada	**Direct Mail Flyer People Ltd.** Vancouver, B.C. Canada
Culligan USA Northbrook, IL	**Cramer-Krasselt/Direct** Chicago, IL

Direct Marketing Leaders (cont.)

ADVERTISER	AGENCY
DHL International Express Ltd. Richmond, B.C. Canada	**Creative House For Ted Bates Advertising Inc.** Toronto, Ont. Canada
Digital Equipment Corporation Hudson, MA	**Hub Mail Advertising** Boston, MA
Dow Jones & Company, Inc. Princeton, NJ	**In-House**
Emery Worldwide Wilton, CT	**Epsilon** Burlington, MA
Erisa Benefit Funds, Inc. Washington, DC	**Ahrend Associates, Inc.** New York, NY
G.D. Searle & Company Skokie, IL	**Heineck & Rosen** Red Bank, NJ
General Electric Lighting Group Cleveland, OH	**Smiley/Hanchulak** Akron, OH
Helene Curtis Industries Chicago, IL	**Kobs & Brady Advertising, Inc.** Chicago, IL
IBM Canada Ltd. Don Mills, Ont. Canada	**In-House**
Inc. Publishing Company Boston, MA	**Grey Direct** New York, NY
Manufacturers Hanover Trust New York, NY	**Wunderman, Ricotta & Kline, Inc.** New York, NY
Mizel Development Corporation Denver, CO	**Krupp-Taylor** Aurora, CO
Meredith Corporation Better Homes and Gardens Books New York, NY	**The Frank Vos Company, Inc.** New York, NY
Metromail Corporation Lincoln, NE	**Ayres and Associates, Inc.** Lincoln, NE
Pacific Northwest Bell Seattle, WA	**Kobs & Brady Advertising, Inc.** Chicago, IL
Pfaelzer Brothers (Pfaelzer 1982 Christmas Catalog) Chicago, IL	**Cramer-Krasselt/Direct** Chicago, IL
Pfaelzer Brothers (Pfaelzer Brothers Incentive Lead Generation) Chicago, IL	**Cramer-Krasselt/Direct** Chicago, IL
The Princeton Tiger Magazine Princeton, NJ	**In-House**
Rockingham/Jutkins Marketing El Segundo, CA	**In-House**
Saks Fifth Avenue New York, NY	**In-House**
Security Pacific National Bank Los Angeles, CA	**Young & Rubicam Direct Marketing Group** Los Angeles, CA
Southern Coalition on Jails and Prisons Nashville, TN	**Gallagher & Associates, Inc.** Alexandria, VA
Stauffer Chemical Company (Sutan+/Dyfonate Mailing) Westport, CT	**Stone & Adler, Inc.** New York, NY
Stauffer Chemical Company (Eradicane Extra Fall Mailing) Westport, CT	**Stone & Adler, Inc.** New York, NY

Direct Marketing Leaders (cont.)

ADVERTISER	AGENCY
Structural Graphics, Inc. Essex, CT	**In-House**
Time-Life Books (Enchanted World Test) London, England	**In-House**
Time-Life Books (Planet Earth) Alexandria, VA	**In-House**
USA Today New York, NY	**In-House**
U.S. Navy Recruiting Command Arlington, VA	**Kobs & Brady Advertising, Inc.** New York, NY
Wisconsin Telephone Milwaukee, WI	**Cramer-Krasselt/Direct** Chicago, IL
Xerox Corporation Rochester, NY	**MARCOA Direct Advertising, Inc.** Chicago, IL



Appendix VI

Glossary

by Richard Hodgson
Sargeant House

Access Time: The time it takes a computer to locate a piece of information in memory or storage and to take action, i.e., the "read" time. Also, the time it takes a computer to store a piece of information and to complete action, i.e., the "write" time.

Action Devices: Items and techniques used in a mailing to initiate the response desired.

Active Buyer: A buyer whose latest purchase was made within the last twelve months. (*See Buyer*).

Active Customer: A term used interchangeably with "active buyer."

Active Member: Any member who is fulfilling the original commitment or who has fulfilled that commitment and has made one or more purchases in the last twelve months.

Active Subscriber: One who has committed for regular delivery of magazines, books or other goods or services for a period of time still in effect.

Actives: Customers on a list who have made purchases within a prescribed time period, usually not more than one year; subscribers whose subscriptions have not expired.

Additions: New names, either of individuals or companies, added to a mailing list.

Add-On Service: Service of Direct Marketing Assn. which gives consumers an opportunity to request that their names be added to mailing lists.

Address Coding Guide (CG): Contains the actual or potential beginning and ending house numbers, block group and/or enumeration district numbers, ZIP Codes, and other geographic codes for all city delivery service streets served by 3,154 post offices located within 6,601 ZIP Codes.

Address Correction Requested: An endorsement which, when printed in the upper left-hand corner of the address portion of the mailing piece (below the return address), authorizes the U.S. Postal Service, for a fee, to provide the known new address of a person no longer at the address on the mailing piece.

A.I.D.A.: The most popular formula for the preparation of direct mail copy. The letters stand for Get Attention, Arouse Interest, Stimulate Desire, Ask for Action.

Alphanumeric: A contraction of "alphabetic" and "numeric." Applies to any coding system that provides for letters, numbers (digits), and special symbols such as punctuation marks. Synonymous with Alphameric.

Assigned Mailing Dates: The dates on which the list user has the obligation to mail a specific list. No other date is acceptable without specific approval of the list owner.

Audience: The total number of individuals reached by a promotion or advertisement.

Audit: Printed report of the counts involved in a particular list or file.

Back End: The activities necessary to complete a mail order transaction once an order has been received and/or the measurement of a buyer's performance after he has ordered the first item in a series offering.

Bangtail: Promotional envelope with a second flap which is perforated and designed for use as an order blank.

Batch Processing: Technique of executing a set of computer programs/selections in batches as opposed to executing each order/selection as it is received. Batches can be created by computer programming or a manual collection of data into groups.

Batched Job: A job that is grouped with other jobs as input to a computing system, as opposed to a transaction job entry where the job is done singly to completion.

Bill Enclosure: Any promotional piece or notice enclosed with a bill, an invoice or a statement not directed toward the collection of all or part of the bill, invoice or statement.

Binary: Involves a selection, choice or condition in which there are two possibilities such as the use of the symbols "0" and "1" in a numbering system.

Bingo Card: A reply card inserted in a publication and used by readers to request literature and samples from companies whose products and services are either advertised or mentioned in editorial columns.

Bit: A single character or elements in a binary number (digit). The smallest element of binary machine language represented by a magnetized spot on a recording surface or a magnetized element of a storage device.

Bounce Back: An offer enclosed with mailings sent to a customer in fulfillment of an order.

BPI (Bytes Per Inch): Characters, represented in bytes, per inch.

Broadcast Media: A direct response source that includes radio, television and cable TV.

Broadside: A single sheet of paper, printed on one side or two, folded for mailing or direct distribution, and opening into a single, large advertisement.

Brochure: Strictly, a high-quality pamphlet, with especially planned layout, typography and illustrations. Term is also used loosely for any promotional pamphlet or booklet.

Bucktag: A separate slip attached to a printed piece containing instructions to route the material to specific individuals.

Bulk Mail: A category of Third Class Mail involving a large quantity of identical pieces but addressed to different names which are specially processed for mailing before delivery to the post office.

Business List: Any compilation or list of individuals or companies based upon a business-associated interest, inquiry, membership, subscription or purchase.

Buyer: One who orders merchandise, books, records, information or services. Unless another modifying word or two is used, it is assumed that a buyer has paid for all merchandise to date.

Burst: To separate continuous form paper into discrete sheets.

Byte: Sequence of adjacent binary digits operated upon as a unit and usually shorter than a computer word. A character is usually considered a byte. (A single byte can contain either two numeric characters or one alphabetic or special character.)

Cash Buyer: A buyer who encloses payment with order.

Cash Rider: Also called "cash up" or "cash option" wherein an order form offers installment terms, but a postscript offers the option of sending full cash payment with order, usually at some saving over the credit price as an incentive.

C/A: Change of address.

Catalog: A book or booklet showing merchandise, with descriptive details and prices.

Catalog Buyer: A person who has bought products or services from a catalog.

Catalog Request (Paid or Unpaid): One who sends for a catalog (prospective buyer). The catalog may be free; there may be a nominal charge for postage and handling, or there may be a more substantial charge that is often refunded or credited on the first order.

Census Tract: Small geographical area established by local committees, and approved by the Census Bureau, which contains a population segment with relatively uniform economic and social characteristics with clearly identifiable boundaries averaging approximately 1,200 households.

Cheshire Label: Specially prepared paper (rolls, fanfold or accordion fold) used to reproduce names and addresses to be mechanically affixed, one at a time, to a mailing piece.

Circulars: General term for printed advertising in any form, including printed matter sent out by direct mail.

Cleaning: The process of correcting and/or removing a name and address from a mailing list because it is no longer correct or because the listing is to be shifted from one category to another.

Cluster Selection: A selection routine based upon taking a group of names in series, skipping a group, taking another group, etc. E.g.—a cluster selection on an nth name basis might be the first 10 out of every 100 or the first 125 out of 175, etc.; a cluster selection using limited ZIP Codes might be the first 200 names in each of the specified ZIP Codes, etc.

Coding: (1) Identifying devices used on reply devices to identify the mailing list or other source from which the address was obtained. (2) A structure of letters and numbers used to classify characteristics of an address on a list.

Collate: (1) To assemble individual elements of a mailing in sequence for inserting into a mailing envelope. (2) A program which combines two or more ordered files to produce a single ordered file. Also the act of combining such files. Synonymous with merge as in Merge-Purge.

Commission: A percentage of sale, by prior agreement, paid to the list broker, list manager, or other service arm for their part in the list usage.

Compile: The process by which a computer translates a series of instructions written in a programming language into actual machine language.

Compiled List: Names and addresses derived from directories, newspapers, public records, retail sales slips, trade show registrations, etc., to identify groups of people with something in common.

Compiler: Organization which develops lists of names and addresses from directories, newspapers, public records, registrations and other sources, identifying groups of people, companies or institutions with something in common.

Completed Cancel: One who has completed a specific commitment to buy products or services before cancelling.

Comprehensive: Complete and detailed layout for a printed piece. Also: "Comp," "Compre."

Computer: Data processor that can perform substantial computation, without intervention by a human.

Computer Compatibility: Ability to interchange the data or programs of one computer system with one or more other computers.

Computer Letter: Computer-printed message providing personalized, fill-in information from a source file in pre-designated positions. May also be full-printed letter with personalized insertions.

Computer Personalization: Printing of letters or other promotional pieces by a computer using names, addresses, special phrases, or other information based on data appearing in one or more computer records. The objective is to use the information in the computer record to tailor the promotional message to a specific individual.

Computer Program: Series of instructions or statements prepared to achieve a certain result.

Computer Record: All of the information about an individual, company, or transaction stored on a specific magnetic tape or disc.

Computer Service Bureau: An internal or external facility providing general or specific data processing services.

Consumer List: A list of names (usually at home address) compiled, or resulting, from a common inquiry or buying activity indicating a general or specific buying interest.

Continuity Program: Products or services bought as a series of small purchases, rather than all at one time. Generally based on a common theme and shipped at regular or specific time intervals.

C.T.O.: Contribution to overhead (profit).

Contributor List: Names and addresses of persons who have given to a specific fund raising effort. (*See Donor List*).

Controlled Circulation: Distribution at no charge of a publication to individuals or companies on the basis of their titles or occupations. Typically, recipients are asked from time to time to verify the information that qualifies them to receive the publication.

Controlled Duplication: A method by which names and addresses from two or more lists are matched (usually by computer) in order to eliminate or limit extra mailings to the same name and address.

Continuous Form: Paper forms designed for computer printing that are folded, and sometimes perforated, at predetermined vertical measurements. These may be letters, vouchers, invoices, cards, etc.

Conversion: (1) Process of changing from one method of data processing to another, or from one data processing system to another. Synonomous with Reformatting. (2) To secure specific action such as a purchase or contribution from a name on a mailing list or as a result of an inquiry.

Co-op Mailing: A mailing of two or more offers included in the same envelope or other carrier, with each participating mailer sharing mailing costs according to some predetermined formula.

C.P.I. (Cost Per Inquiry): A simple arithmetical formula derived by dividing the total cost of a mailing or an advertisement by the number of inquiries received.

C.P.O. (Cost Per Order): Similar to Cost Per Inquiry except based on actual orders rather than inquiries.

C.P.M. (Cost Per Thousand): Refers to total cost-per-thousand pieces of direct mail "in the mail."

Coupon: Part of an advertising promotion piece intended to be filled in by the inquirer or customer and returned to the advertiser.

Coupon Clipper: One who has given evidence of responding to free or nominal-cost offers out of curiosity, with little or no serious interest or buying intent.

Deadbeat: One who has ordered a product or service and, without just cause, hasn't paid for it.

Decoy: A unique name especially inserted in a mailing list for verifying list usage.

Delinquent: One who has fallen behind or has stopped scheduled payment for a product or service.

Delivery Date: The date a list user or a designated representative of the list user receives a specific list order from the list owner.

Demographics: Socio-economic characteristics pertaining to a geographic unit (county, city, sectional center, ZIP Code, group of households, education, ethnicity, income level, etc.).

Direct Mail Advertising: Any promotional effort using the Postal Service, or other direct delivery service, for distribution of the advertising message.

Direct Response Advertising: Advertising, through any medium, designed to generate a response by any means (such as mail, telephone, or telegraph) that is measurable.

Donor List: A list of persons who have given money to one or more charitable organizations. (*See Contributor List*)

Doubling Day: A point in time established by previous experience when 50% of all returns to a mailing will normally be received.

Dummy: (1) A mock-up giving a preview of a printed piece, showing placement and nature of the material to be printed. (2) A fictitious name with a mailable address inserted into a mailing list to check on usage of that list.

Dupe (Duplication): Appearance of identical or nearly identical entities more than once.

Duplication Elimination: A specific kind of controlled duplication which provides that: no matter how many times a name and address is on a list, and how many lists contain that name and address, it will be accepted for mailing only once by that mailer. Also referred to as "dupe elimination."

Editing Rules: Specific rules used in preparing name and address records that treat all elements the same way at all times. Also, the rules for rearranging, deleting, selecting, or inserting any needed data, symbols and/or characters.

Envelope Stuffer: Any advertising or promotional material enclosed in an envelope with business letters, statements or invoices.

Exchange: An arrangement whereby two mailers exchange equal quantities of mailing list names.

Expire: A former customer who is no longer an active buyer.

Expiration: A subscription which is not renewed.

Expiration Date: Date a subscription expires.

Field: Reserved area in a computer which services a similar function in all records of the file. Also, location on magnetic tape or disc drive which has definable limitations and meaning: e.g., Position 1-30 is the Name Field.

File Maintenance: The activity of keeping a file up-to-date by adding, changing, or deleting data (all or part). Synonymous with List Maintenance. (*See Update*)

Fill-In: A name, address or other words added to a preprinted letter.

First-Time Buyer: One who buys a product or service from a specific company for the first time.

Fixed Field: A way of laying out, or formatting, list information in a computer file that puts every piece of data in a specific position relative to every other piece of data, and limits the amount of space assigned to that data. If a piece of data is missing from an individual record, or if its assigned space is not completely used, that space is not filled (every record has the same space and the same length). Any data exceeding its assigned space limitation must be abbreviated or contracted.

Former Buyer: One who has bought one or more times from a company with no purchase in the last twelve months.

Free-Standing Insert: A promotional piece loosely inserted or nested in a newspaper or magazine.

Frequency: The number of times an individual has ordered within a specific period of time. (*See Monetary Value* and *Recency*)

Friend-Of-A-Friend (Friend Recommendation): The result of one party sending in the name of someone considered to be interested in a specific advertiser's product or service; a third party inquiry.

Front End: Activities necessary, or the measurement of direct marketing activities, leading to an order or a contribution.

Fund Raising List: Any compilation or list of individuals or companies based on a known contribution to one or more fund raising appeals.

Geographics: Any method of subdividing a list, based on geographic or political subdivisions (ZIP Codes, sectional centers, cities, counties, states, regions).

Gift Buyer: One who buys a product or service for another.

Gimmick: Attention-getting device, usually dimensional, attached to a direct mail printed piece.

Guarantee: A pledge of satisfaction made by the seller to the buyer and specifying the terms by which the seller will make good his pledge.

Hot-Line List: The most recent names available on a specific list, but no older than three months. In any event, use of the term "hot-line" should be further modified by "weekly," "monthly", etc.

House List: Any list of names owned by a company as a result of compilation, inquiry or buyer action, or acquisition, that is used to promote that company's products or services.

House-List Duplicate: Duplication of name-and-address records between the list user's own lists and any list being mailed by him on a one-time use arrangement.

Inquiry: One who has asked for literature or other information about a product or service. Unless otherwise stated, it is assumed no payment has been made for the literature or other information. *(Note: A Catalog request is generally considered a specific type of inquiry)*.

Installment Buyer: One who orders goods or services and pays for them in two or more periodic payments after their delivery.

Inter-List Duplicate: Duplication of name and address records *between* two or more lists, other than house lists, being mailed by a list user.

Intra-List Duplication: Duplication of name and address records *within* a given list.

K: Used in reference to computer storage capacity, generally accepted as 1,000. Analogous to M in the direct marketing industry.

Key: One or more characters within a data group that can be used to identify it or control its use. Synonymous with Key Code in mailing business.

Key Code (Key): A group of letters and/or numbers, colors, or other markings, used to measure specific effectiveness of media, lists, advertisements, offers, etc., or any parts thereof.

Keyline: Can be any one of many partial or complete descriptions of past buying history coded to include name-and-address information and current status.

KBN (Kill Bad Name): Action taken with undeliverable addresses; i.e., nixies. You KBN a nixie.

Label: Piece of paper containing the name and address of the recipient which is applied to a mailing for address purposes.

Layout: (1) Artist's sketch showing relative positioning of illustrations, headlines and copy. (2) Positioning subject matter on a press sheet for most efficient production.

Letterhead: The printing on a letter that identifies the sender.

Lettershop: A business organization that handles the mechanical details of mailings such as addressing, imprinting, collating, etc. Most lettershops offer some printing facilities and many offer some degree of creative direct mail services.

List (Mailing List): Names and addresses of individuals and/or companies having in common a specific interest, characteristic or activity.

List Broker: A specialist who makes all necessary arrangements for one company to use the list(s) of another company. A broker's services may include most, or all, of the following: research, selection, recommendation and subsequent evaluation.

List Buyer: Technically, this term should apply only to one who actually buys mailing lists. In practice, however, it is usually used to identify one who orders mailing lists for one-time use; a List User or Mailer.

List Cleaning: The process of correcting and/or removing a name and/or address from a mailing list because it is no longer correct. Term is also used in the identification and elimination of house list duplication.

List Compiler: One who develops lists of names and addresses from directories, newspapers, public records, sales slips, trade show registrations and other sources for identifying groups of people or companies with something in common.

List Exchange: A barter arrangement between two companies for the use of a mailing list(s). May be: list for list, list for space, or list for comparable value—other than money.

List Maintenance: Any manual, mechanical or electronic system for keeping name-and-address records (with or without other data) up-to-date at any specific point(s) in time.

List Manager: One who, as an employee of a list owner or as an outside agent, is responsible for the use, by others, of a specific mailing list(s). The list manager generally serves the list owner in several or all of the following capacities: list maintenance (or advice thereon), list promotion and marketing, list clearance and record keeping, collecting for use of the list by others.

List Owner: One who, by promotional activity or compilation, has developed a list of names having something in common; or one who has *purchased* (as opposed to rented, reproduced, or used on a one-time basis) such a list from the developer.

List Rental: An arrangement whereby a list owner furnishes names to a mailer, together with the privilege of using the list on a one-time basis only (unless otherwise specified in advance). For this privilege, the list owner is paid a royalty by the mailer. ("List Rental" is the term most often used although "List Reproduction" and "List Usage" more accurately describe the transaction, since "Rental" is not used in the sense of its ordinary meaning of leasing property.)

List Royalty: Payment to list owners for the privilege of using their names on a one-time basis.

List Sample: A group of names selected from a list in order to evaluate the responsiveness of that list.

List Segmentation: (*See List Selection*).

List Selection: Characteristics used to define smaller groups within a list (essentially, lists within a list). Although very small, select groups may be very desirable and may substantially improve response; increased costs, however, often render them impractical.

List Sequence: The order in which names and addresses appear in a list. While most lists today are in ZIP Code sequence, some are alphabetical by name within the ZIP Code; others are in carrier sequence (postal delivery); and still others may (or may not) use some other order within the ZIP Code. Some lists are still arranged alphabetically by name or chronologically, and in many other variations or combinations.

List Sort: Process of putting a list in a specific sequence or from another sequence or no sequence.

List Test: Part of a list selected to try to determine the effectiveness of the entire list. (*See List Sample*)

List User: One who uses names and addresses on someone else's list as prospects for the user's product or service; similar to Mailer.

Load Up: Process of offering a buyer the opportunity of buying an entire series at one time after the customer has purchased the first item in that series.

Magnetic Tape: A storage device for electronically recording and reproducing, by use of a computer, defined bits of data.

Mail Date: Date a list user, by prior agreement with the list owner, is obligated to mail a specific list. No other date is acceptable without specific approval of the list owner.

Mailer: (1) A direct mail advertiser who promotes a product or service using lists of others or house lists or both. (2) A printed direct mail advertising piece. (3) A folding carton, wrapper or tube used to protect materials in the mails.

Mailgram: A combination telegram-letter, with the telegram transmitted to a postal facility close to the addressee and then delivered as first class mail.

Mailing Machine: A machine that attaches labels to mailing pieces and otherwise prepares such pieces for deposit in the postal system.

Mail Order Action Line (MOAL): A service of Direct Marketing Association which assists consumers in resolving problems with mail order purchases.

Mail Order Buyer: One who offers, and pays for, a product or service through the mail. (Generally, an order telephoned in response to a direct response advertisement is considered a direct substitute for an order sent through postal channels.)

Mail Preference Service (MPS): A service of Direct Marketing Association wherein consumers can request to have their names removed from, or added to, mailing lists. These names are made available to both members and non-members of the Association.

Master File: File that is of a permanent nature or regarded in a particular job as authoritative, or one that contains all sub files.

Match: A direct mail term used to refer to the typing of addresses, salutations or inserts onto letters with other copy imprinted by a printing process.

Match Code: A code determined either by the creator or the user of a file for matching records contained in another file.

MOAL: Acronym for Mail Order Action Line.

Monetary Value: Total expenditures by a customer during a specific period of time, generally twelve months.

MPS: Acronym for Mail Preference Service.

Multiple Buyer: One who has bought two or more times (not one who has bought two or more items, one time only); also a Multi-Buyer or Repeat Buyer.

Multiple Regression: Statistical technique used to measure the relationship between responses to a mailing with census demographics and list characteristics of one or more selected mailing lists. Used to determine the best types of people/areas to mail. This technique can also be used to analyze customers, subscribers, etc.

Name: Single entry on a mailing list.

Name Acquisition: Technique of soliciting a response to obtain names and addresses for a mailing list.

Name-Removal Service: Portion of Mail Preference Service offered by Direct Marketing Association wherein a consumer is sent a form which, when filled in and returned, constitutes a request to have the individual's name removed from all mailing lists used by participating members of the Association and other direct mail users.

Negative Option: A buying plan in which a customer or club member agrees to accept and pay for products or services announced in advance at regular intervals *unless* the individual notifies the company, within a reasonable time after announcement not to ship the merchandise. (*See Federal Trade Commission Regulations in Chapter 12*).

Nesting: Placing one enclosure within another before inserting into a mailing envelope.

Net Name Arrangement: An agreement, at the time of ordering or before, whereby the list owner agrees to accept adjusted payment for less than the total names shipped to the list user. Such arrangements can be for a percentage of names shipped or names actually mailed (whichever is greater) or for only those names actually mailed (without a percentage limitation). They can provide for a running charge or not.

Nixie: A mailing piece returned to a mailer (under proper authorization) by the Postal Service because of an incorrect, or undeliverable, name and address.

No-Pay: One who has not paid (wholly or in part) for goods or services ordered. "Uncollectable," "Deadbeat," and "Delinquent" are often used to describe the same person.

North/South Labels: Mailing labels that read from top to bottom and can be affixed with Cheshire equipment.

Novelty Format: An attention-getting direct mail format.

Nth Name Selection: A fractional unit that is repeated in sampling a mailing list. For example, in an "every tenth" sample, you would select the 1st, 11th, 21st, 32nd, etc. records—or the 2nd, 12th, 22nd, 32nd, etc., records, and so forth.

OCR (Optical Character Recognition): Machine identification of printed characters through use of light-sensitive devices.

Offer: The terms promoting a specific product or service.

One-Time Buyer: A buyer who has not ordered a second time from a given company.

One-Time Use Of A List: An intrinsic part of the normal list usage, list reproduction, or list exchange agreement in which it is understood that the mailer will not use the names on the list more than one time without specific prior approval of the list owner.

Open Account: A customer record that, at a specific time, reflects an unpaid balance for goods and services ordered, without delinquency.

Optical Scanner: An input device that optically reads a line of printed characters and converts each character into its electronic equivalent for processing.

Order Blank Envelopes: An order form printed on one side of a sheet, with a mailing address on the reverse. The recipient simply fills in the order, folds and seals like an envelope.

Order Card: A reply card used to initiate an order by mail.

Order Form: A printed form on which a customer can provide information to initiate an order by mail. Designed to be mailed in an envelope.

Package: A term used to describe all of the assembled enclosures (parts or elements) of a mailing effort.

Package Insert: Any promotional piece included in a product shipment. It may be for different products (or refills and replacements) from the same company or for products and services of other companies.

Package Test: A test of part or all of the elements of one mailing piece against another.

Paid Cancel: One who completes a basic buying commitment, or more, before cancelling the commitment. (*See Completed Cancel*).

Paid Circulation: Distribution of a publication to individuals or organizations which have paid for a subscription.

Paid During Service: Term used to describe a method of paying for magazine subscriptions in installments, usually weekly or monthly, and, usually, collected in person by the original sales person or a representative of that company.

Peel-Off Label: A self-adhesive label attached to a backing sheet which is attached to a mailing piece. The label is intended to be removed from the mailing piece and attached to an order blank or card.

Penetration: Relationship of the number of individuals or families on a particular list (by state, ZIP Code, SIC, etc.) compared to the total number possible.

Personalizing: Individualizing of direct mail pieces by adding the name or other personal information about the recipient.

Phone List: Mailing list compiled from names listed in telephone directories.

Piggy-Back: An offer that hitches a free ride with another offer.

Poly Bag: Transparent polyethylene bag used in place of envelopes for mailing.

Pop-Up: A printed piece containing a paper construction pasted inside a fold and which, when the fold is opened, "pops up" to form a three-dimensional illustration.

Positive Option: A method of distributing products and services incorporating the same advance notice technique as *Negative Option* but requiring a specific order each time from the member or subscriber. Generally, it is more costly and less predictable than Negative Option.

Postal Service Prohibitory Order: A communication from the Postal Service to a company indicating that a specific person and/or family considers the company's advertising mail to be pandering. The Order requires the company to remove from its own mailing list and from any other lists used to promote that company's products or services all names listed on the Order. Violation of the Order is subject to fine and imprisonment. Names listed on the Order are to be distinguished from those names removed voluntarily by the list owner at an individual's request.

Post Card: Single sheet self-matters on card stock.

Post Card Mailers: Booklet containing business reply cards which are individually perforated for selective return, to order products or obtain information.

Premium: An item offered to a buyer, usually free or at a nominal price, as an inducement to purchase or obtain for trial a product or service offered via mail order.

Premium Buyer: One who buys a product or service to get another product or service (usually free or at a special price), or who responds to an offer of a special product (premium) on the package or label (or sometimes in the advertising) of another product.

Preprint: An advertising insert printed in advance and supplied to a newspaper or magazine for insertion.

Private Mail: Mail handled by special arrangement outside the Postal Service.

Program: A sequence of steps to be executed by the computer to solve a given problem or achieve a certain result.

Programming: Design, writing and testing of a program.

Prospect: A name on a mailing list considered to be a potential buyer for a given product or service but who has not previously made such a purchase.

Prospecting: Mailing to get leads for further sales contact rather than to make direct sales.

Protection: The amount of time, before and after the assigned mailing date, a list owner will not allow the same names to be mailed by anyone other than the mailer cleared for that specific date.

Psychographics: Any characteristics or qualities used to denote the lifestyle(s) or attitude(s) of custmers and prospective customers.

Publisher's Letter: A second letter enclosed in a mailing package to stress a specific selling point.

Purge: The process of eliminating duplicates and/or unwanted names and addresses from one or more lists.

Pyramiding: A method of testing mailing lists, in which one starts with a small quantity and, based on positive indications, follows with increasingly larger quantities of the list balance until the entire list is mailed.

Questionnaire: A printed form to a specified audience to solicit answers to specific questions.

Random Access: An access mode in which records are obtained from, or placed into, a mass storage file in a non-sequential manner so that any record can be rapidly accessed. Synonymous with Direct Access.

Recency: The latest purchase or other activity recorded for an individual or company on a specific customer list. (*See Frequency* and *Monetary Value*).

Reformatting: Changing a magnetic tape format from one arrangement to another, more usable format. Synonymous with Conversion (list or tape).

Renewal: A subscription that has been renewed prior to, or at, expiration time or within six months thereafter.

Repeat Buyer: (*See Multiple Buyer*).

Rental: (*See List Rental*).

Reply Card: A sender-addressed card included in a mailing on which the recipient may indicate his response to the offer.

Reply-O-Letter: One of a number of patented direct mail formats for facilitating replies from prospects. It features a die-cut opening on the face of the letter and a pocket on the reverse. An addressed reply card is inserted in the pocket and the name and address thereon shows through the die-cut opening.

Reproduction Right: Authorization by a list owner for a specific mailer to use that list on a one-time basis.

Response Rate: Percent of returns from a mailing.

Return Envelopes: Addressed reply envelopes, either stamped or unstamped—as distinguished from business reply envelopes which carry a postage payment guarantee—included with a mailing.

Return Postage Guaranteed: A legend imprinted on the address face of envelopes or other mailing pieces when the mailer wishes the Postal Service to return undeliverable third class bulk mail. A charge equivalent to the single piece, third class rate will be made for each piece returned. (*See List Cleaning*).

Return Requested: An indication that a mailer will compensate the Postal Service for return of an undeliverable mailing piece.

Returns: Responses to a direct mail program.

RFMR: Acronym for Recency-Frequency-Monetary Value Ratio, a formula used to evaluate the sales potential of names on a mailing list.

Rollout: To mail the remaining portion of a mailing list after successfully testing a portion of that list.

R.O.P. (Run of Paper or Run of Press): Usually refers to color printing which can be placed on any page of a newspaper or magazine.

Rough: Dummy or layout in sketchy form with a minimum of detail.

Royalties: Sum paid per unit mailed or sold for the use of a list, imprimatur, patent, etc.

Running Charge: The price a list owner charges for names run or passed, but not used by a specific mailer. When such a charge is made, it is usually to cover extra processing costs. However, some list owners set the price without regard to actual cost.

Run Of Paper: (1) A term applied to color printing on regular paper and presses, as distinct from separately printed sections made on special color presses. (2) Sometimes used to describe an advertisement positioned by publisher's choice—in other than a preferred position—for which a special charge is made.

Salting: Deliberate placing of decoy or dummy names in a list to trace list usage and delivery. (*See Decoy and Dummy*).

Sample Buyer: One who sends for a sample product, usually at a special price or for a small handling charge, but sometimes free.

Sample Package (Mailing Piece): An example of the package to be mailed by the list user to a particular list. Such a mailing piece is submitted to the list owner for approval prior to commitment for one-time use of that list. Although a sample package may, due to time pressure, differ slightly from the actual package used, the list user agreement usually requires the user to reveal any material differences when submitting the sample package.

Scented Inks: Printing inks to which a fragrance has been added.

Sectional Center (SCF or SCF Center): A Postal Service distribution unit comprising different Post Offices whose ZIP Codes start with the same first three digits.

Selection Criteria: Definition of characteristics that identify segments or sub-groups within a list.

Self-Cover: A cover of the same paper as the inside text pages.

Self-Mailer: A direct mail piece mailed without an envelope.

Sequence: An arrangement of items according to a specified set of rules or instructions. Refers generally to ZIP Codes or customer number sequence.

SIC (Standard Industrial Classification): Classification of businesses, as defined by the U.S. Department of Commerce.

Software: A set of programs, procedures and associated documentation concerned with operation of a data processing system.

Solo Mailing: A mailing promoting a single product or a limited group of related products. Usually it consists of a letter, brochure and reply device enclosed in an envelope.

Source Code: Unique alphabetical and/or numeric identification for distinguishing one list or media source from another. (*See Key Code*).

Source Count: The number of names and addresses, in any given list, for the media (or list sources) from which the names and addresses were derived.

Split Test: Two or more samples from the same list—each considered to be representative of the entire list—used for package tests or to test the homogeneity of the list.

State Count: The number of names and addresses, in a given list, for each state.

Statement Stuffer: A small, printed piece designed to be inserted in an envelope carrying a customer's statement of account.

Step Up: The use of special premiums to get a mail order buyer to increase his unit of purchase.

Stock Art: Art sold for use by a number of advertisers.

Stock Cut: Printing engravings kept in stock by the printer or publisher for occasonal use.

Stock Formats: Direct mail formats with preprinted illustrations and/or headings to which an advertiser adds his own copy.

Stopper: Advertising slang for a striking headline or illustration intended to attract immediate attention.

Stuffer: Advertising enclosures placed in other media—i.e., newspapers, merchandise packages, mailings for other products, etc.

Subscriber: Individual who has paid to receive a periodical.

Swatching: Attaching samples of material to a printed piece.

Syndicated Mailing: Mailing prepared for distribution by firms other than the manufacturer or syndicator.

Syndicator: One who makes available prepared direct mail promotions for specific products or services to a list owner for mailing to his own list. Most syndicators also offer product fulfillment services.

Tabloid: A preprinted advertising insert of four or more pages, usually about half the size of a regular newspaper page, designed for inserting into a newspaper.

Tape Density: The number of bits of information (bytes) that can be included in each of a specific magnetic tape—e.g., 556 BPI, 800 BPI, 1600 BPI, etc.

Tape Dump: A printout of data on a magnetic tape to be edited and checked for correctness, readability, consistency, etc.

Tape Layout: A simple "map" of the data included in each record and its relative, or specific, location.

Tape Record: All the information about an individual or company contained on a specific magnetic tape.

Teaser: An advertisement or promotion planned to excite curiosity about a later advertisement or promotion.

Telecommunications: Data transmission between a computer system and remotely located devices via a unit that performs the necessary format conversion and controls the rate of transmission over telephone lines, microwaves, etc. Synonymous with Transceive.

Terminal: Any mechanism which can transmit and/or receive data through a system or communications network.

Test Panel: A term used to identify each of the parts or samples in a split test.

Test Tape: A selection of representative records within a mailing list that enables a list user or service bureau to prepare for reformatting or converting the list to a form more efficient for the user.

Throwaway: An advertisement or promotional piece intended for widespread free distribution. Generally printed on inexpensive paper stock, it is most often distributed by hand to passersby or from house-to-house.

Tie-In: Cooperative mailing effort involving two or more advertisers.

Til Forbid: An order for continuing service which is to continue until specifically cancelled by the buyer. Also "TF."

Title: A designation before (prefix) or after (suffix) a name to more accurately identify an individual. (Prefixes—Mr., Mrs., Dr., Sister, etc.; Suffixes—M.D., Jr., President, Sales Manager, etc.)

Time Sharing: Multiple utilization of available computer time, often via terminals, usually shared by different organizations.

Tip-On: An item glued to a printed piece.

Token: An involvement device, often consisting of a perforated portion of an order card designed to be removed from its original position and placed in another designated area on the order card, to signify a desire to purchase the product or service offered.

Town Marker: A symbol used to identify the end of a mailing list's geographical unit. (Originated for "towns" but now used for ZIP Codes, Sectional Centers, etc.).

Traffic Builder: A direct mail piece intended primarily to attract recipients to the mailer's place of business.

Trial Buyer: One who buys a short-term supply of a product, or buys the product with the understanding that it may be examined, used, or tested for a specified time before deciding whether to pay for it or to return it.

Trial Subscriber: A person ordering a publication or service on a conditional basis. The condition may relate to: delaying payment, the right to cancel, a shorter than normal term and/or a special introductory price.

Uncollectable: One who hasn't paid for goods and services at the end of a normal series of collection efforts.

Unit of Sale: Description of the average dollar amount spent by customers on a mailing list.

Universe: Total number of individuals that might be included on a mailing list; all of those fitting a single set of specifications.

Update: Recent transactions and current information added to the Master (main) list to reflect the current status of each record on the list.

Up Front: Securing payment for a product offered by mail order before the product is sent.

UPS: Acronym for United Parcel Service.

Variable Field: A way of laying out for formatting list information that assigns a specific sequence to the data, but doesn't assign it specific positions. While this method conserves space on magnetic tape, it is generally more difficult to work with.

Verification: The process of determining the validity of an order by sending a questionnaire to the customer.

WATS: Acronym for Wide Area Telephone Service. A service providing a special line allowing calls within a certain zone, on a direct dialing basis, for a flat monthly charge.

White Mail: Incoming mail that is not on a form sent out by the advertiser. All mail other than orders and payments.

White Envelope: Envelope with a die-cut portion on the front that permits viewing the address printed on an enclosure. The "die cut window" may or may not be covered with a transparent material.

Wing Mailer: Label-affixing device that uses strips of paper on which addresses have been printed.

ZIP Code: A group of five digits used by the U.S. Postal Service to designate specific post offices, stations, branches, buildings or large companies.

ZIP Code Count: The number of names and addresses in a list, within each ZIP Code.

ZIP Code Sequence: Arranging names and addresses in a list according to the numeric progression of the ZIP Code in each record. This form of list formatting is mandatory for mailing at bulk third class mail rates, based on the sorting requirements of Postal Service regulations.

Appendix VII

Books/Publications/Directories on Direct Marketing

Books marked with an asterisk (*) may be purchased directly through the DMA Publications Division. Most of the materials listed here should be available in public library business reference sections.

***AIS 800 REPORT**
Published by Advertising Information Services, 353 Lexington Ave., New York, NY 10017. $175/yr. Published twice-monthly. Available through DMA.

ACRONYMS AND INITIALISMS DIRECTORY
Fifth Edition. Published by Gale Research Company, Book Tower, Detroit, MI 48226. $38.50. Published every 3 years. Annual supplements published between editions.

ADDRESS ABBREVIATIONS
Publication 59, January 1976. Published by U.S. Postal Service. Available through local postmasters. Free of charge.

ADVERTISING
By James S. Norris. Published by Reston Publishing Company, Inc. A Prentice-Hall Company, 11480 Sunset Hills Road, Reston, VA 22090. $9.95.

***ADVERTISING AGE**
Published by Crain Communications, 740 Rush Street, Chicago, IL 60611. Weekly. $50.00 for annual subscription. Available through DMA.

ADVERTISING COMPLIANCE SERVICE
Published by Meckler Publishing, 520 Riverside Ave., Westport, CT 06880. Newsletter and reference service on government, industry and media restrictions in advertising. Basic reference volume plus 1-year subscription to Newsletter/Update issued twice-monthly. $395/yr.

ADVERTISING PRODUCTION PLANNING AND COPY PREPARATION FOR OFFSET PRINTING
By H. C. Latimer, Published by Crain Books, 740 Rush Street, Chicago, IL 60611. $9.50.

ADVERTISING PURE AND SIMPLE
By Hank Seiden. Primarily about television advertising. Published by AMACOM, Division of American Management Associations, 135 West 50th Street, New York, NY 10020. $12.95.

ADVERTISING THEORY AND PRACTICE
Ninth Edition, by C. H. Sandage, Ph.D & Vernon Fryburger, Ph.D. Published by Richard D. Irwin, Inc., South Holland, IL 60473. $14.95.

ADWEEK
Published by ASM Communications, 820 2nd Ave., New York, NY 10017. $40/1 yr.; $70/2 yrs. for each edition. Published in five regional editions: East, Southeast, Midwest, Southwest and West. Weekly.

AGENT DIRECTORY
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Published by Crain Communications, 740 Rush Street, Chicago, IL 60611. $20.00 for annual subscription. Monthly. Available through DMA.

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Available from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. Hardbound—$8.50. Paperback—$6.50.

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Published by the Congressional Quarterly, Inc. 1414 22nd Street, N.W., Washington, DC 20037. $558.00

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Daily compendium of all the proceedings in Congress. Available from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. $45 for annual subscription.

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Charles B. Brownson, Publisher and Editor, P.O. Box 62, Mount Vernon, VA 22121, $19.50.

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By Larry Schwartz/Pearl Sax, Fraud & Theft Information Bureau, P.O. Box 400, Boynton Beach, FL 33425. $149.00. Available through DMA.

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By Benjamin I. French, Jr. Samples of customer service letters. Published by Prentice-Hall, Inc., Englewood Cliffs, NJ 07632. $14.95.

***DMA FACT BOOK ON DIRECT MARKETING 1983 STATISTICAL UPDATE**
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*DM NEWS
Published by DM News Corporation, 19 W. 21st St., New York, NY 10010. Monthly. Free to qualified direct marketers. Available through DMA.

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Published by Direct Magazine Associates, 60 E. 42nd Street, New York, NY 10165. $18/1 yr. Available through DMA.

*DIRECT MAIL ADVERTISING & SELLING FOR RETAILERS
Chapters written by 28 professionals. Published by National Retail Merchants Association, 100 West 31st Street, New York, NY 10001. $19.95. Available through DMA.

DIRECT MAIL & DIRECT RESPONSE PROMOTION
By Christian Brann, Marketing Text Series. Direct marketing as practiced in the United Kingdom. Published by Kogan Page Ltd., Grays Inn Road, London W.C. 1, England.

*DIRECT MAIL AND MAIL ORDER HANDBOOK
Third Edition, by Richard S. Hodgson. Published by Dartnell, 4660 Ravenswood Avenue, Chicago, IL 60640. $57.50. Available through DMA.

DIRECT MAIL LIST RATES & DATA
Published by Standard Rate and Data Service, Inc., 5201 Old Orchard Road, Skokie, IL 60076. Twice yearly. $65.00 for annual subscription.

*DIRECT MARKETING MAGAZINE
Published by Hoke Communications, Inc., 224 Seventh Street, Garden City, NY 11530. $33.00 annually or included with DMA membership. Monthly. Available through DMA.

*DIRECT MARKETING: STRATEGY, PLANNING, EXECUTION
By Edward L. Nash. Published by McGraw-Hill, Inc., 1221 Avenue of the Americas, New York, NY 10019. $29.95. Available through DMA.

*THE DIRECT MARKETING MARKET PLACE 1984
By Edward Stern. Published by Hilary House Publishers, 1033 Channel Drive, Hewlett Harbor, NY 11557. $60.00. Available through DMA.

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Published by McGraw-Hill Book Co., 1221 Ave. of the Americas, New York, NY 10020. $27.50. Available through DMA.

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Published by School Market Research Institute, P.O. Box 160, Chester, CT 06412. Published monthly. $80.00. Available through DMA.

DIRECTORY OF BUSINESS FORMS COMPANIES: WHO THEY ARE, WHAT THEY MAKE
By the staff of Business Forms Reporter. Published by North American Publishing Company, 134 N. 13th Street, Philadelphia, PA 19107. $47.50.

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Tenth Edition. Published by B. Klein Publications, P.O. Box 8503, Coral Springs, FL 33065. $30.00.

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Published by Richard Gottlieb, Grey House Publishing, 360 Park Ave., South, New York, NY 10013. $100.00 soft-cover. Available through DMA.

DIRECTORY OF MANUFACTURERS' REPRESENTATIVES
15,000 manufacturers' domestic and export representatives in U.S. and Canada, with products carried and area covered. Published by Manufacturers Agent Publishing Company, 663 Fifth Avenue, New York, NY 10022. $37.50.

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Published by U.S. Postal Service. Available from Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. $5.55.

DIRECTORY OF SHOP-BY-MAIL BARGAIN SOURCES
Margaret A. Boyd and Sue Scott-Martin, eds. Published by Pilot Books, 347 Fifth Avenue, New York, NY 10016. Lists seven hundred firms that offer consumer goods and services by mail. $2.95.

DOMESTIC MAIL MANUAL
This is the replacement for the *Postal Manual*—written in a clearer style. It is an essential document for all mailers since it outlines all postal regulations pertaining to the preparations of mail, rates, classifications, etc.

Published by the United States Postal Service. Copies may be obtained for $17.00 from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. Purchasers of the Manual will also receive any subsequent revisions of material in the manual.

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THE DYNAMICS OF MAKING A FORTUNE IN MAIL ORDER
By Raymond J. Brandell in collaboration with Raymond E. Brandell. Published by Frederick Fell Publishers, 386 Park Avenue South, New York, NY 10017. $19.95.

*THE EFFECTIVENESS OF 800 NUMBERS IN DIRECT MAIL CATALOGS, VOL. 1
Published by DMA. $50.00 to members; $100.00 to non-members. Available through DMA.

*ELEMENTS OF DIRECT MARKETING
By Martin Baier. Published by McGraw-Hill, Inc., 1221 Avenue of the Americas, New York 10020. $34.95. Available through DMA.

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By William Strunk, Jr. Published by Macmillan Publishing Company, Front & Brown Streets, Riverside, NJ 08075. $4.00.

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THE GALLAGHER REPORT
Published by The Gallagher Report, Inc., 230 Park Avenue, New York, NY 10017. $72.00 for annual subscription. Weekly.

THE GOVERNMENT MANUAL
Office of the Federal Register. National Archives and Records Services, Washington, DC 20408. $6.50.

GRAPHIC ARTS ENCYCLOPEDIA
By George Stevenson. Published by McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, NY 10020. $21.95.

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Edited by Janet Fields. Published by Arno Press, 3 Park Ave., New York, NY 10016. $65.00.

*THE GREAT BRAIN ROBBERY
By Ray Considine and Murray Raphel. Published by Rosebud Books, 25 West Walnut St., Pasadena, CA 91103. $11.00. Available through DMA.

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Second Edition, by Richard M. Schlemmer. Published by Prentice-Hall, Inc., Englewood Cliffs, NJ 07632. $11.95.

*THE HANDBOOK OF CIRCULATION MANAGEMENT
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*THE HANDBOOK OF INDUSTRIAL DIRECT MAIL ADVERTISING
Edited by Edward N. Mayer, Jr. and Roy G. Ljungren. Published by Busi-

ness/Professional Advertising Association, 205 E. 42nd Street, New York, NY 10017. $10.00. Available through DMA.

HANDBOOK OF INTERNATIONAL DIRECT MARKETING
Edited by John Dillon. Published by McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, NY 10020. $49.95.

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By Stanley Marcus. Published by Viking Penguin, Inc., 625 Madison Ave., New York, NY 10017. $25.00. Available through DMA.

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By Kenneth Roman and Jane Maas. Foreword by David Ogilvy. Published by St. Martin's Press, 175 Fifth Avenue, New York, NY 10010. $5.95. Available through DMA.

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By Maxwell Sackheim. Published by Macmillan Publishing Company, Inc., 866 Third Avenue, New York, NY 10022. $5.95.

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By George Meredith and Robert P. Fried. Published by National Premium Sales Executives, 1600 Route 22, Union, NJ 07083. A thorough history of incentives usage and techniques used in the field. $17.50.

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INTERNATIONAL MAIL
(Publication 42). Published by U.S. Postal Service. Available from Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. $9.00.

AN INTRODUCTION TO DIRECT MARKETING
By Chaman L. Jain and Al Migliaro. Published by AMACOM, Division of American Management Associations, 135 West 50th Street, New York, NY 10020. $5.00 for members/$7.50 for non-members.

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***MAIL ORDER BUSINESS DIRECTORY**
1983 Edition. Contains information on over 7,500 mail order firms. Arranged geographically by state; product lines listed where known. Now includes phone numbers. Published every other year by B. Klein Publications, P.O. Box 8503, Coral Springs, FL 33065. $55.00. Available through DMA.

THE MAIL ORDER CRAFTS CATALOG
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THE MARKETING COMMUNICATIONS PROCESS
By M. Wayne DeLozier, Ph.D. Published by McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, NY 10020. $13.95.

MARKETING INFORMATION GUIDE
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8-page newsletter. Published monthly by U.S. Postal Service, P.O. Box 1600, La Plata, MD 20646. Available free to firms generating large quantities of mail.

***MORE THAN YOU EVER WANTED TO KNOW ABOUT MAIL ORDER ADVERTISING**
Published by Prentice-Hall, 3601 Park Center Blvd., Suite 177, Minneapolis, MN 55416. $9.95. Available through DMA.

NATIONAL DIRECTORY OF NEWSLETTERS AND REPORTING SERVICES
Gale Research Company, Book Towers, Detroit, MI 48226. Second Edition, Part One, 1978. Detailed current information on newsletters issued on a regular basis by businesses associations, societies, clubs, government agencies and other groups. $36.00.

THE NATIONAL JOURNAL
Published by the Government Research Corporation, 1730 M Street, N.W., Washington, DC 20036. $10.00 per copy, $300 per year.

NATIONAL TRADE AND PROFESSIONAL ASSOCIATIONS OF THE UNITED STATES AND CANADA AND LABOR UNIONS
1978 Edition. Craig Colgate, Jr. and Patricia Broida, eds. Published by Columbia Books, Inc., Room 601, 734 15th St., N.W., Washington, DC 20005. This directory lists about 6,000 national trade associations, labor unions, scientific or technical societies and other national organizations composed of groups united by a common purpose. $25.00.

NATIONAL SURVEY OF CONSUMERS' ATTITUDES TOWARDS DIRECT MAIL ADVERTISING
By Robert A. Hansen. Published by MASA, 7315 Wisconsin Avenue, Washington, DC 20014. Vol. 1 (narrative) $7.50; Vol. II (charts) $12.50.

NATIONAL ZIP CODE DIRECTORY
(Publication 65). Published by U.S. Postal Service. Available through Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. $7.50, or old edition may be exchanged for new edition at local post office free of charge.

NEWSLETTER ON NEWSLETTERS
Published by The Newsletter Clearinghouse, 44 West Market Street, Rhinebeck, NY 12572, $36.00 for annual subscription. Monthly.

NEW TRADE NAMES: 1977
Ellen T. Crowley, ed. Gale Research Company, Book Tower, Detroit, MI 48226. Lists consumer trade names, brand names, product names, coined names, model names and design names, with addresses of manufacturers, importers, marketers or distributors. $45.00.

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By Howard M. Turner Jr. Published by McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, NY 10020. This book is of interest to everyone who works in any phase of marketing. It covers such things as premiums, sampling, coupons, sweepstakes, sales incentive plans, use of consumer and sales incentives to implement marketing strategy. $17.95.

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By John D. Yeck and John T. Maguire. Published by McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, NY 10020. $17.25.

PLANNING FOR CHANCE PROMOTIONS
By Frank T. Dierson, Esq., General Counsel for PMAA. Published by Promotion Marketing Association of America, Inc., 420 Lexington Avenue, New York, NY 10017. $25.00 plus $5.00 update.

POPULATION PROFILE OF THE UNITED STATES: 1977
A broad range of statistics on U.S. population growth and distribution, social characteristics, employment, income, and race. Available through Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. $2.30.

POSTAL LAWS
Transmittal Letter No. 24, December 12, 1974. Available from Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. $3.25.

POSTAL WORLD: THE WASHINGTON NEWSLETTER FOR MAIL USERS
Published by JPL Publications, Inc., 128 C Street, N.W., Washington, DC 20001. $84.00 annual subscription. Bi-weekly.

A PRACTICAL GUIDE TO NEWSLETTER EDITING & DESIGN
By LaRae H. Wales. Published by Iowa State University Press, South State Avenue, Ames, IA 50010. $2.50.

PREPARING ART AND CAMERA COPY FOR PRINTING
Contemporary procedures and techniques for mechanicals and related copy. By Henry C. Latimer. Published by McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, NY 10020. $22.40.

PRINTING AND PROMOTION HANDBOOK
By Daniel Melcher and Nancy Larrick. Published by McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, NY 10020. $21.95.

PRINT PROGRESS AND PERFORMANCE
Newsletter published by the Print Advertising Association by Angelo R. Venezian, Inc. 10-64 Jackson Avenue, Long Island City, NY 11101. $20.00 for annual subscription. Monthly.

PRODUCTION FOR THE GRAPHIC DESIGNER
By James Craig. Published by Crain Books, 740 Rush Street, Chicago, IL 60611. $18.50.

***PRODUCT SELECTION CRITERIA USED BY CATALOG MERCHANDISERS, VOL. 2**
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***PROFITABLE DIRECT MARKETING**
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PROFITABLE MAIL ORDER MARKETING
By Lawrence Cooklin. Published by William Heinemann Ltd., London, England. Available through W. S. Heinman, 1966 Broadway, New York, NY 10023. $17.50.

PROFITABLE TELEPHONE SALES OPERATIONS
By Robert C. Steckel, Published by Arco Publishing Company, Inc., 219 Park Avenue South, New York, NY 10003. $15.00.

***QUEST FOR THE BEST**
By Stanley Marcus. Published by Viking Press, 299 Murray Hill Parkway, East Rutherford, NJ 07073. $12.95. Available through DMA.

REPRODUCTION REVIEW AND METHODS
Published by North American Publishing Company. North American Building, 401 North Broad Street, Philadelphia, PA 19108. $18.00 for annual subscription. Monthly.

***RESPONSE TELEVISION: COMBAT ADVERTISING OF THE 1980's**
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Second Edition. By Gerald Pintel and Jay Diamond. Published by Prentice-Hall, Inc., Englewood Cliffs, NJ 07632. $12.95.

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SHOPPING CENTER DIRECTORY
Lists 17,724 shopping centers. Published by National Research Bureau, Burlington, IA 52601. $58.00, plus shipping and handling.

SMALL BUSINESS MANAGEMENT FUNDAMENTALS
By Dan Steinhoff. Published by McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, NY 10020. Covers basic management techniques for small businesses. $13.95.

THE SPECIALTY STORE AND ITS ADVERTISING
By Judy Young Ocko & M. L. Rosenblum. Published by Sales Promotion Division,

National Retail Merchants Association, 100 West 31st Street, New York, NY 10001. $11.50.

STANDARD DIRECTORY OF ADVERTISERS
Published by National Register Publishing Company, Inc., 5201 Old Orchard Road, Skokie, IL 60076. $190.00 annual subscription.

***STANDARDS FOR COMPUTERIZED MAILING LISTS**
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STATISTICAL ABSTRACT OF THE UNITED STATES, 1977
98th Annual Edition. U.S. Department of Commerce, Bureau of the Census. Available from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. $11.00 cloth; $8 50 paperback.

SUCCESS FORCES
By Joe Sugarman. Published by Contemporary Books, 180 N. Michigan Ave., Chicago, IL 60601. $9.95.

***SUCCESSFUL DIRECT MARKETING METHODS**
By Bob Stone. Published by Crain Books, 740 Rush Street, Chicago, IL 60611. $27.95. Available through DMA.

***TELEMARKETING CAMPAIGNS THAT WORK**
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***TELEMARKETING MAGAZINE**
Published bi-monthly by Technology Marketing Corp., 17 Park St., Norwalk, CT 06851. $39/yr. U.S., $49/yr. Foreign (surface mail); $79/yr. Foreign (air mail). Available through DMA.

***TELEPHONE MARKETING: HOW TO BUILD YOUR BUSINESS BY TELEPHONE**
By Murray Roman. Published by McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, NY 10020. $49.00. Available through DMA.

***TESTED ADVERTISING METHODS**
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TESTWORTHY ENVELOPE IDEAS FOR DIRECT RESPONSE
This booklet contains 90 envelope ideas for direct response marketers. Available through Transco Envelope Company, 3542 N. Kimball Avenue, Chicago, IL 60618. $3.95.

TRADE CUSTOMS AND PRINTING CONTRACTS
By Counihan, Casey & Loomis, PIA General Counsel. Published by Printing Industries of America, Inc., 1730 N. Lynn Street, Arlington, VA 22209. $25.00.

WASHINGTON INFORMATION DIRECTORY
Published by Congressional Quarterly, Inc., 1414 22nd Street, N.W., Washington, DC 20037. $19.50.

WISING UP
By Jo Foxworth. Published by Dell Publishing Company, 1 Dag Hammarskjold Plaza, New York, NY 10017. $5.95.

WORDS INTO TYPE
Third edition. By Marjorie Skillin and Robert M. Gay and other authorities. Published by Prentice-Hall, Inc., Englewood Cliffs, NJ 07632. $15.95.

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1985 Statistical Update

FACT BOOK

ON DIRECT MARKETING

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on

Direct Marketing

1985 Edition

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Dedicated to

NAT ROSS

for his advice, support and contributions to
this edition of the DMA FACT BOOK
and those that have preceded it.

Mr. Ross is former vice president of Lincoln Graphic Arts, professor of marketing at New York University, and president of the Direct Marketing Idea Exchange (DMIX). He is the recipient of awards from the Direct Marketing Association, Direct Marketing Day in New York, the Direct Marketing Club of New York, the Direct Marketing Minority Opportunities Group, and the Direct Marketing Educational Foundation. Mr. Ross has been elected to Phi Beta Kappa, has received the Caroline Phelps Stokes Prize and the Chandler Historical Prize, both from Columbia University, and the Faculty Award for Distinguished Service from New York University's School of Continuing Education, 1978.

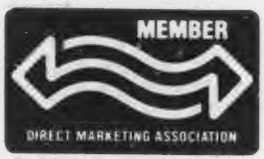
DMA MEMBERSHIP SYMBOL AND SLOGAN

In October of 1980, the new Membership Symbol was introduced and the following year, the Membership Slogan was unveiled.

The Symbol is meant to convey a sense of identification to all of the direct marketing community within DMA. All members are urged to use the symbol whenever possible. Only through repeated use will the Symbol be recognized and its meaning reinforced. Members are using the Symbol as a postal indicia, in catalogs, on letterheads, pamphlets, in magazines, on order forms and even on business cards.

The Slogan is meant to educate the consumer to the *direct* method of shopping.

Repro sheets of the Symbol, Slogan and Symbol ads are available from DMA Headquarters, 6 E. 43rd Street, New York, NY 10017; Attn: SYMBOL.



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Acknowledgments

DMA wishes to acknowledge with gratitude all the people involved in producing the 1984 *Fact Book on Direct Marketing*, on which this 1985 Update is based. It was, as always, increasingly challenging over previous years—new sources of information to be uncovered, more sophisticated statistical techniques to be developed, and more leaders in the direct marketing field to be asked to give of their time and expertise.

The Advisory Board provided, as always, their knowledge, continuity and counsel in the preparation of the *Fact Book*. So, to John Mecchella of the Reliable Corp., Nat Ross, Professor of Marketing at New York University, Robin Smith, Publishers Clearing House, John Stevenson, Wunderman, Ricotta & Kline, and to Andrew Svenson, Jr., Andrew Svenson Company, our thanks for your constant support and unlimited assistance.

To the *Fact Book* Promotion Committee—Annette Brodsky, Accredited Mailing Lists, Shan Ellentuck and Jim Springer of Ellentuck & Springer, and George Wiedemann, Grey Direct—on behalf of the Publications Division, thank you. Due to your interests and efforts, DMA's promotional material for the *Fact Book* has made it a well-known commodity to direct marketers worldwide.

Special acknowledgment must be made of the authors of the various sections of the *Fact Book*. These leaders in our field found the time and dedication not only to research their material but to write their sections as well. To each of you, well aware of your busy, hectic schedules, DMA extends special thanks.

Reliable statistics in this widely diversified field are, at best, difficult to come by. Although some of these figures continue to be "best estimates," the DMA Research Department has been able to produce much more definitive material than in prior editions. In addition, we wish to thank the many organizations for their cooperation, confidence and generosity in making reference material available to the Association so that this book could exist.

The Direct Marketing Association, Inc. is the largest and oldest international trade association representing users, creators and suppliers of direct mail advertising and other direct marketing techniques. DMA's 5,149 members from 2,483 companies represent a cross section of business and are located in all 50 states and 35 other countries. Offices are located at 6 East 43rd Street, New York, NY 10017 and 1101 17th Street, NW, Washington, DC 20036.

Foreword

This eighth edition of the *Fact Book on Direct Marketing* is an updating rather than a complete revision of the previous edition published in 1984. In many critical areas, however, changes have been made to provide more current or complete information that has become available. More than 100 statistical charts are entirely new or updated from the 1984 volume. A complete revision is planned for the 1986 edition.

The *Fact Book* has been published annually by the Direct Marketing Association since 1978. Each edition offers in-depth analyses of trends and issues, along with comprehensive, up-to-date statistics on all aspects of direct marketing. It is our hope that this edition, and each future volume, will continue to serve as the pre-eminent reference work for direct marketing professionals and for the wide range of other individuals in business, government, research and education who need to keep abreast of events in this diverse and growing field.

Jonah Gitlitz
President, DMA
March 1985

Definition of Direct Marketing

In gathering information about any subject, including direct marketing, it is logical to start by defining the subject. So it has been our practice to include a "definition" of direct marketing at the beginning of each annual edition of the DMA Fact Book. Yet, each year we find that the "accepted definition" has changed somewhat as direct marketing evolves and as our perception and understanding of the subject deepens.

In 1981, an Association Task Force, appointed by Lester B. ("Dusty") Loo, who was then Chairman of the Board, sought to reach agreement on a definition that would be satisfactory and workable for all of the disparate parts of the direct marketing field. It proved to be a question that was not only difficult but that could not be completely resolved by the Task Force.

Perhaps the most significant comment at that time came from a Task Force member who observed: "Direct Marketing is a changing thing and will continue to change. Therefore, the definition will continue to change."

That is a most perceptive thought and one that coincides with the decision in November 1982, recommended by the Board and approved by member vote, to delete a definition from the Association's Constitution & By-Laws. Instead, to provide a frame of reference for researchers, educators, journalists and practitioners, an "official" definition, subject to review and change if necessary, will be carried in the annual Fact Book or other appropriate publication.

****

At this time, the generally agreed upon definition is: Direct Marketing is an interactive system of marketing which uses one or more advertising media to effect a measurable response and/or transaction at any location.

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1

A History of Direct Marketing

by Nat Ross
Prof. of Marketing,
New York University

The history of direct marketing (and its antecedents, direct mail and mail order) is a reflection of the socioeconomic development of the United States. This is the constant and underlying factor in the direct marketing story. It is as true today as it was in 1872 when Aaron Montgomery Ward produced his first catalog ushering in the modern era of mail order as we have known it for more than 100 years. This factor also explains why longterm success in direct marketing has been inextricably linked to two essential factors: the ability of management to predict the impact of socioeconomic change on the marketplace and life styles, as well as to implement a sound strategic and marketing program which offers products and services that satisfy the changing needs, wants, and interests of the consumer.

The Roots of Direct Marketing

Researchers have traced the roots of direct marketing to Europe as it emerged from the Middle Ages and feudalism and entered the Renaissance. The first trade catalogs were those issued by printer-publishers of the 15th century soon after Gutenberg's invention of moveable type (c. 1450). Credit for the oldest extant catalog which gives the prices of the books offered goes to Aldus Manutius of Venice. In 1498, under the logo of the dolphin and anchor, he listed 15 texts which he had published. The Aldine Press became famous for its reliable and inexpensive books by Greek and Latin authors. These were printed for the intelligentsia of the day, in small octavo format, in editions of 1,000—more than double the press run customary at that time. Manutius was truly the original precursor of the paperback books of today. The first known catalog in post-Gutenberg Germany appeared in the 16th century.

Seed and nursery catalogs are among the oldest known to us. Professional gardeners were trading in plants as early as the fourteenth century. The earliest mercantile gardening catalog extant is a printed price list issued in 1667 by William Lucas, an English gardener. By 1775, 18-page catalogs were being issued by a number of English gardeners and nurserymen. By this time, the nursery catalog had come to the American colonies as well. A broadside catalog of fruit trees was published in 1771 by William Prince of Flushing, Long Island. It is worth noting that George Washington visited Prince's gardens in 1791, and that Thomas Jefferson was an inveterate mail-order buyer both domestically and in Europe.

Philadelphia in Franklin's Time

Unlike Samuel Johnson in England for whom books were cultural and intellectual, books in Franklin's Philadelphia (which was the center of the book trade in the colonies by the middle of the 18th century) were more practical, perhaps a result of the Quaker influence. The local book merchants were pitching the town merchants more than the clergyman as in Boston or to the planter in Virginia.

In 1727, Franklin set up a "social library" known as the Junto which can be said to be the forerunner of the public library, as well as the book club. Members paid an entrance fee and annual dues for the privilege of using the group's collection of books. The Junto was expanded into the Library Company of Philadelphia (a subscription library) in 1731.

Like today's book clubs, the group relied on a committee, which requested the most learned Mr. Logan "to favor them with a catalogue of suitable books."[1]

Mr. Logan's selection, consisting of some 40 odd titles and 45 pounds sterling, was ordered from London on March 31, 1732. The list included dictionaries, grammars, an atlas, works of history, travel and biography, politics and morals. About one-third were on emphatically practical subjects: anatomy, biology, chemistry, geometry, mathematics, astronomy, agriculture, as well as a handful of ancient classics, and the merest smattering of belles lettres. In 1772, the librarian reported "that for one person of distinction and fortune, there are 20 tradesmen who frequent this library."

During the latter half of the 18th century newspapers were often filled with booksellers' ads (occasionally full pages). In addition, catalogs and broadsides were sent directly to the country trade. In this way, literacy was sold to the Colonist.

Benjamin Franklin, the first important printer in Colonial America, published a catalog in 1744 of "near six hundred volumes in most faculties and sciences." Perhaps the then-novel Quaker idea of selling goods at the same price to everyone induced him to print the following statement on the cover: "Those persons who live remote, by sending their orders and money to said B. Franklin, may depend on the same justice as if present." Franklin's catalog is remarkable, among other reasons, for its early formulation of what was later to become the basic concept of consumer satisfaction guaranteed. The names of Washington, Jefferson and Franklin in this early genesis of direct marketing are an indelible reminder of how deep its roots are in the history and character of the American people.

---

[1] *The Americans: The Colonial Experience,* Vol. 1, by Daniel Boorstin.

Another Facet in the Genesis of Direct Marketing

Another potent branch in the growth of the predecessors of direct marketing developed at the end of the 18th and into a good part of the 19th century. It was the role of the farm-to-farm salesman, the proverbial Yankee peddler. A pioneer in this process of direct selling was Eli Terry, a Connecticut custom clock maker. He first made four identical clocks, packed them in saddle bags, and, in 1798, set off on an uncertain and hazardous trip to sell the clocks to doubting farmers.

To enable him to make any sales at all, Terry used what were then unheard of techniques but which have become, in our time, standard in direct marketing. He pioneered the free trial offer and soon, thereafter, installment selling. Later, with the help of his neighbor, Eli Whitney, he learned the secret of mass production by using interchangeable parts. In three years, he had sold 5,000 clocks and had reduced the price from $25 to $5—an amazing achievement for the times.

The ubiquitous Yankee peddlers of the 18th and 19th centuries were stouthearted, sturdy-legged and strong-willed people who trudged the wild and rough countryside of New England and, later, the Middle Atlantic, Midwest and Southern States. They were truly forerunners in the vast development of retail and mail-order distribution, as well as in the growth of the American economy.

Suffice it to state that Adam Gimbel peddled notions in Indiana before the first Gimbel store was opened in Vincennes in 1842. John Jacob Astor sold bakery products door-to-door in New York before going into the fur trade. B.T. Babbitt was a peddler before his Ivory soap became a household word. The father of John D. Rockefeller was a peddler of patent medicine. For 200 years, the direct distribution of products by peddlers had proceeded without the intervention of the general store and other middlemen. By the middle of the 19th century, the Yankee peddler had become a paramount fact of economic life.

Forerunners of the Modern Era of Mail Order

By the 1830s, a few mail-order companies began to operate in the New England states selling sporting equipment, camping, fishing, and marine supplies. Orvis issued its first catalog in 1844, featuring fishing lure supplies and related items. By the end of the Civil War, mail-order activity had expanded to other parts of the country. In addition, to books and seed and nursery products, such items as sewing machines, dry goods, medicines, musical instruments, and other products were being sold by mail order. Each firm sold a single line of products, and very few sold exclusively by mail. Mail order ads were being carried by some magazines. In 1869, C.E. Allen of Augusta, Maine founded "Peoples Literary Companion," selling a selection of specialty items. In the next decade, Augusta became a thriving center of direct mail advertising and mail order.[2]

The Tiffany Catalog

An event that foreshadowed the rise of modern mail order was a "Catalog of Useful and Fancy Articles," that appeared in 1845, produced by Tiffany & Company of Fifth Avenue, New York (then operating as Tiffany, Young & Ellis, on lower Broadway in New York City). This was an unusual and fascinating catalog in a number of respects. Its size was only 2 7/8 inches × 4 3/16 inches. However, its 18 pages included "listing of hundreds of articles imported from "Various Fancy Manufacturers of France, England, Germany and China." It went on to say that the company "always (has) for sale the largest, richest, and best collection of elegant articles of taste and utility to be found on this side of the Atlantic . . .

"They invite particular notice to the fact that their goods are all of their own importation—made to order, or selected from the best sources, by one of their firm, resident in Europe, and can, therefore, be recommended not only as of better quality, finer finish than articles made for general sale, but are also newer and select in style, as well as lower in price."

It might be of interest to list the categories of these imported articles. Inlaid Ebony & Rosewood goods; Portfolios; French Dresden and Indian Porcelain; French and Bohemian glass; Berlin Iron, Bronze and Bronze Antiques; Paper, Envelopes and Fancy Stationery; Umbrellas, Whips, etc; Perfumery and Articles for the Toilet; Perfumes for the Handkerchief; Lubin's and Guerlain's Extracts; Brushes; Combs; Sundry Articles for the Toilet; Fans; Gloves; Indian Goods; Fillogram Articles; Papier Maché goods; Grey Stone Porcelain Ware; Swiss Osier Work; French Fancy Furniture; Chairs; Cutlery; French Confectionery; Games; French Jewelry. Also listed under Sundries are more than 100 different products. Under Chinese goods, seven categories of merchandise are noted of which we shall mention a few items: Lacquered Center Tables; Solid Carved Ebony and Landscaped Marble Chairs; Carved Ivory Chessmen (from $5 to $200 per set); Paintings on Rice Paper in books and sheets; Porcelain Vases; Silver Filigree Card Cases, and Sundries.

The 1845 catalog was the first issued by Tiffany. This was the forerunner of the famous *Blue Books*, their unusual catalogs. The 1845 catalog was, however, a one-time event since Tiffany didn't issue another until 1877. After 1877, they became annual publications. The 1983 fall catalog has the contemporary Tiffany style as well as exceptional products. The most expensive item is a green "tourmaline and sapphire pendant suspended from an 18-inch chain of polished platinum, designed by Paloma Picasso, priced at $185,000. On the other (and more affordable) hand, there are sterling silver charms for $90, enameled boxes for $85, even a calfskin credit-card case for $35, and a silver Tiffany retractable ballpoint pen for $40.

---

[2] *Sears, Roebuck, USA* by Gordon L. Weil

The Modern Era of Mail Order Emerges

It was in the post-Civil War decades that catalog mail order emerged and grew into a powerful force. Its main beginnings were in the Middle West at a time when agrarian unrest was rife. Farmers were embittered by the high prices for goods they bought, and the low prices for produce they sold. This spurred Populist dissent and protest, as has frequently occurred in our history. Its organized expression was the National Grange of the Patrons of Husbandry, the farmers' principle organization, with a membership of nearly half a million. The Grange trumpeted its main slogan everywhere, "Eliminate the Middleman."

As a traveling salesman (peddler) in the Midwest, Montgomery Ward was keenly aware of the farmers discontent and had observed that the general store (which has become part of American mythology) was, in reality, a place where the range of goods was limited, the prices high because of numerous intermediaries, and the storekeeper's knowledge was rarely greater than the farmers who bought from him.

Ward returned to Chicago with a prophetic idea. He wrote in his diary: "Having had experience in all classes of merchandise, and traveling salesmen, and a fair judge of human nature, saw a great opening for a house to sell directly to the consumer and save them the profit of the middleman." Ward saw that he could reduce retail prices if he purchased large quantities for cash direct from manufacturers and then sold for cash direct to the farmer. This was the seed of his mail-order idea.[3] And that is precisely what Ward did.

The Growth of Montgomery Ward

He established a direct tie with the National Grange and headlined his one-page catalog sheet listing 163 items. "The Original Wholesale Grange Supply House." In the early years, most of the items were priced at $1, as for instance: Item no. 1 was "12 yards best quality prints $1.00." Other one dollar offerings included red flannel, Kentucky jeans, and other yard goods for home sewing, hoop skirts, bustles, paper collars, cotton hose, hemstitched handkerchiefs, wool socks, boys' winter caps, shawls, oil cloth table covers, an "ostrich plume, and 3 bunches fine French flowers." A lady's ring was $3, and ice pitcher $2, "1 gent's cassimere coat (send size) $3.50," a huntingcase watch $6, a backgammon set $1, a stereoscope and six views $1.

With two partners and a total capital of $1,600, Ward had succeeded in introducing a new method of distribution to meet the needs of the marketplace—an efficient and direct way of doing business by eliminating the retailers, the ubiquitous general store, and other middlemen. The modern era of mail order had begun.

Another factor that encouraged Ward was that Chicago, the railroad center of the nation, was the natural place from which to reach out to the vast rural hinterlands. Chicago soon became the great nationwide enterprise of mail order. It was in a loft 12 feet by 14 feet, over a livery stable that Ward started his business in 1872. Perhaps Ward himself was not fully aware of how powerful his revolutionary idea would become. By the end of the century, there was no doubt of the immense power and growth of the new mail-order idea. For "Greater than the tread of mighty armies is an idea whose time has come." (Victor Hugo.)

Within two years, the original price list became an 8-page booklet and later a 72-page catalog. By eliminating the middleman, Ward promised savings of 40 percent: on fans, parasols, writing paper, needles, stereoscopes, cutlery, trunks, harnesses, and scores of other items. The catalog grew and became more vivid and enticing with its illustrations. By the 1880s, a woodcut illustrated almost every item. By 1884, the Ward catalog consisted of 240 pages with thousands of items.

Ward was a shrewd, honest, and progressive merchant whose business policies continue to have vital lessons for direct marketers today. The Ward catalog dated Spring/Summer 1875 contained one of the earliest, and certainly the strongest, pledge of consumer protection by a company. On the inside front cover, the following appeared: "We guarantee all our goods. If any of them are not satisfactory after due inspection, we will take them back, pay all expenses, and refund the money paid for them."

No stone was left unturned in Ward's effort to build up the friendly confidence needed to induce farmers to buy goods sight unseen from a distant warehouse run by strangers. Ward built his business on the hope for a revolution in the farmers' buying habits. Even after Ward's customers had grown to hundreds of thousands, the firm took pains to reassure them that the company was their friend. That is why early catalogs showed pictures of the founders, of company executives, and even of the buyers for individual departments; those men personally signed catalogue guarantees for the goods.

Ward received hundreds of letters annually from men seeking wives, and even a few from women seeking husbands. A lonely farmer proposed marriage to the "girl wearing hat number ____ on page 153 of your catalog." A blacksmith wanting a wife promised that he was a total abstainer from tobacco, cards, and whiskey. From the state of Washington, a customer wrote, "as you advertise everything for sale that a person wants, I thought I would write you, as I am in need of a wife and see what you could do for me."

Another customer wrote: "I suppose you wondered why we haven't ordered anything from you since the fall. Well, the cow kicked my arm and broke it, and besides my wife was sick, and there was the doctor bill. But now, thank God, that is paid, and we are all well again, and we have a fine new baby boy, and please send plush bonnet number 29d8077 . . ."

This friendly customer received an equally personal reply: regrets about the broken arm, pleasure that the wife was recovered, congratulations on the son with hopes that he would grow up to be a fine man, acknowledgement of the order for the bonnet, plus an inquiry whether the customer had noticed the anti-cow-kicker shown in the catalogue.

At a time of *laissez-faire*, when the general rule of business was *caveat emptor* (let the buyer beware)—or the less elegant, "Never give *a sucker an even break*," Ward's belief in mutual trust by buyer and seller startled businessmen while comforting customers. Ward himself gave much of the credit for his success to his customers. He noted, "The ever-growing trade we enjoy proves that, after all, the people of this country are not such fools as some merchants and manufacturers think they are."

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[3] The Americans: The *Democratic Experience*, Vol. 3, by Daniel Boorstin.

The Beginnings of the Sears, Roebuck Phenomenon

It was the same unprecedented pace of change, which swept the country during the final third of the 19th century, that triggered the entry of Richard Warren Sears into the mail-order business with the sale of watches in 1886. As a young railroad station agent, Sears was at the junction of then most advanced mode of transportation—the railroads—and the most important form of communication—the telegraph.

From an early age, Sears, who had been raised in rural Minnesota, had to help support his family. He learned telegraphy, which was then a qualification to be a station agent, to qualify for the job of managing the railroad and express office of the Minneapolis and St. Louis line at North Redwood, Minnesota, a village of three houses.

In 1886, when a package of watches sent by a Chicago jewelry company was refused, Sears saw his opportunity. The Chicago company offered these undeliverable watches at "half-price, i.e. at $12 each." They were of a stylish type, gold-filled with a hunting case, which retailed for about $25. Instead of paying for the watches himself, Sears offered them by mail to other agents along his line for $14 apiece. He offered to send them C.O.D. subject to examination, and, since the agents were bonded, there was little risk.[4]

Having made about $5,000 in six months, he gave up his station agent job, and, in 1886, set up the R.W. Sears Watch Company in Minneapolis. From an office rented for $10 a month, equipped with a kitchen table, a fifty-cent chair, some record books, and stationery, he now reached out beyond the market of station agents by advertising in the newspapers. In 1887, he moved to Chicago where he enlisted the help of Alvah Curtis Roebuck, a watchmaker, who had also run a job-printing business. Such were the beginnings of the Sears, Roebuck phenomenon.

Sears quickly showed his flair for advertising. His ingenious selling schemes included a "club plan" under which 38 men clubbed together into a pool; each week, one man would win a watch by lot until, at the end of 38 weeks, all the members had their watches. In the early years of the Sears catalog, scrupulously honest guarantees ("satisfaction or your money back") were combined with flamboyant and improbable claims (goods were "the best in the world" and would "last forever"). By the time the firm name of Sears, Roebuck and Company came into use in 1893, the business had moved into a wide range of merchandise described in a catalog of 196 pages. The Sears business grew even during the depression years of 1893-94. In 1907, sales were about $54 million.

In the early days before 1890, Sears was doing considerable advertising in various periodicals, then known as "mail-order" magazines, which circulated in the rural market. Such advertisements aimed at popularizing the Sears name, to increase the demand for catalogs. Newspapers under pressure from the local merchants who were fighting for their lives against the "Mail-Order Trust," often refused to sell space to Sears. Meanwhile the *Ladies Home Journal* also refused to take Sears' copy, because its editor, Cyrus H.K. Curtis, claimed it was extravagant in its claims and undignified in its make-up.

But the catalog was the thing. By 1900, Sears forged ahead of Ward and never relinquished that lead. Sears was a fanatic for the catalog. For years he wrote nearly all the copy himself. The basis for the Sears' business, he insisted, was the widest possible distribution of the catalogs to the most likely customers. The circulation of the general catalog increased phenomenally from some 318,000 in 1897 (the first year for which figures are available) to over one million for the spring catalog in 1904 and to over three million for the fall catalog in 1907. By 1927, Sears sent out 10 million letters, 15 million general catalogs, 23 million semi-annual sales catalogs, and other special catalogs, to a grand total of 75 million.

The Sears catalog, which early countered Ward's headline "Cheapest Cash House in America" with "Cheapest Supply House on Earth," grew in size and systematically improved the quality of the printing. By 1894, it exceeded 500 pages; in 1898, a detailed index was provided. In 1897, the catalog had approximately 700 pages with 6,000 items.

In 1893, Sears set up its own printing plant. Soon four-color printing was used, which required an improved ink to dry rapidly without smearing. The company, then, had to produce new paper which would take color printing and would still be light enough for cheap mailing. As late as 1905, more than half the illustrations were still woodcuts. Art historians have suggested that it was the mail-order catalog that kept alive the art of wood engraving. In those years, the mail-order catalog pioneered other techniques of graphics and illustrations. Since the customer couldn't see the actual product, Ward and Sears obviously had to depend on the catalog to present an accurate and enticing view.

The Growth of the American Economy

Both Ward and Sears were aided immensely by the post-Civil War industrial growth and the phenomenal advance in manufacturing spurred by the use of interchangeable parts. In 1860, the United States was in fourth place among industrial nations. The United States population was over 38 million in 1870. It doubled by the opening of the 20th century. As department stores expanded and grew during the latter part of the 19th century, Emile Zola observed in France that the department store is "democratized luxury."

Thus, it was in the latter part of the 19th century that catalogs became an important and powerful sales tool—a dynamic form of direct marketing. For the widely scattered farm families of that period, a Sears or Ward catalog was often the only book at home except for the family

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[4] Ibid.

Bible. These catalogs were appropriately referred to as the Farmer's Friend. It was, frequently, from them that farmers first learned of new mechanical equipment that would vastly increase their productivity. Their wives discovered sewing machines and other labor-saving devices that would reduce their workloads. Parallel to this, the seed and nursery catalogs of the 19th century helped teach farmers which grains, fruits and vegetables to grow on the land they were settling.

Historically, the nursery catalogs have had (and continue to have) a profound influence in various ways. This is exemplified by the book, *Onward and Upward in the Garden*, by Katherine S. White (with an introduction by E.B. White) based on 14 pieces that appeared in the *New Yorker* Magazine. In the chapter, "A Romp in the Catalogs," Mrs. White observes that "Some nursery catalogs are virtually literary genres as well as horticultural expressions."

A writer in the Wall Street Journal (Jan. 15, 1952) confirms her view and opines: "White contended that these catalogs contributed a literary genre as well defined as the novel or the sonnet, and she argued, further, that every seed house has its own characteristic voice, a style as recognizably its own as that of Hemingway or Joyce.

"White was entirely correct, and her observation still stands. Joseph Harris' catalog is gentlemanly—understated, politely confident about its product and judicious in avoiding over-inflated adjectives. Burpee's is obsessive in its devotion to marigolds and also stodgy enough to be the remedy for insomnia. (Burpee's first catalog appeared in 1867.) Parks offers a variety of seeds, but it's sometimes uncomfortably cute in dreaming up names for plants, as with a watermelon called 'You Sweet Thing'."

Catalogs—Gold Mines for Historians

It is obvious that above and beyond the expanding role of catalogs as an effective direct-marketing tool, they were a vital cultural force. In the schools of rural communities, catalogs were widely used as textbooks, and the children began to dream of products they had never seen before. Later, at the beginning of this century, catalogs became a key factor in the distribution of autos and radios, which helped to free the rural family from its previous isolation.

It should be noted that the Post Office was a major factor in the expanding distribution of direct mail and catalog mail, specifically with the introduction of Rural Free Delivery (RFD) in the 1890s and Parcel Post in 1913. (In 1901 there were 76,945 post offices in the U.S.). A political struggle over parcel post raged for two decades, and its establishment was due, in no small part, to the farmers and the Populist protest during that long period. At that time, the Postmaster General pronounced parcel post a success—"the greatest and most immediate ever scored by any new venture in the country." Within 12 months, packages were being mailed at the rate of 300,000,000 a year. In the first year of parcel post, Sears received five times the number of orders it had the year before, and the increase at Ward's was nearly as dramatic.

RFD gradually citified the rural areas. The mail-order houses gradually introduced farmers to the ways of the city. In 1921, more than a billion newspapers and magazines were delivered over rural routes; by 1929, the figure had reached nearly two billion.

No one has expressed more vividly the socio-cultural impact of catalogs than Daniel Boorstin, the Pulitzer Prize winning-historian and Chief Librarian of Congress.

> "It was not merely facetious to say that many farmers came to live more intimately with the good Big Book of Ward's or Sears, Roebuck than with the Good Book. The farmer kept his Bible in the frigid parlor, but, as Edna Ferber remarked in *Fanny Herself* (1917), her novel of the mail-order business, the mail-order catalogue was kept in the cozy kitchen. That was where the farm family ate, and where they really lived. For many such families, the catalogue probably expressed their most vivid hopes for salvation. It was no accident that pious rural customers without embarrassment called the catalogue "the Farmer's Bible." There was a familiar story of the little boy who was asked by his Sunday School teacher where the Ten Commandments came from, and who unhesitatingly replied that they came from Sears, Roebuck . . .
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> "Farm children now learned from the new Bible of their consumption community. In rural schoolhouses, children were drilled in reading and spelling from the catalogue. They practiced arithmetic by filling out orders and adding up items. They tried their hand at drawing by copying the catalogue models, and acquired geography by studying the postal-zone maps. In schoolrooms that had no other encyclopedia, a Ward's or Sears' catalogue handily served the purpose; it was illustrated, it told you what something was made of and what it was good for, how long it would last, and even what it cost. Many a mother in a household with few children's books pacified her child with the pictures in the catalogue. When the new book arrived, the pictures in the old catalogue were indelibly fixed in the memory of girls who cut them up for paper dolls . . . The children of rural America thought of the big books from Sears and Ward's as exhaustive catalogues of the material world."[5]

Robert Caro in *The Years of Lyndon Johnson*, Vol. 1, narrates that the freshman Congressman toured the picnics over the July 4th weekend in 1938 in his home district—the sparsely populated and impoverished Hill Country of Texas. His main objective was to persuade the farmers to sign the petition and join REA (the Rural Electrification Administration)—universally considered one of the finest pieces of federal legislation—that had just been passed by Congress. The farmers and their wives were unimpressed. They were fearful of wires, of lightning and storms, and the impact on their children, their cattle and, even, their land. Finally the Congressman had an idea. He opened a Sears, Roebuck catalog and showed them electric washing machines and refrigerators which would lighten the work of the farmers wives. They gradually became persuaded that electricity was beneficial—thanks to Sears, Roebuck.

E.L. Doctorow, in the best-selling novel, *Ragtime* (pp.

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[5] Ibid., p. 129

173-4), describes a scene at the home of J. Pierpont Morgan in New York City, who is entertaining Henry Ford at lunch in the 1920s. The financier, eager to make a deal with the already thriving motor car company, invites Ford to join him on a lavish and extraordinary expedition along the Nile to locate historic artifacts and archeological finds. During this time Ford remained quiet and stared at his comfortable brown lace-up shoes he had bought from L.L. Bean. Ford finally responded to Morgan's invitation, reminding him that he was just an ordinary country boy, saying "you don't have to build steamboats to travel the Nile, just to find out something you can get in the mail-order for two bits."

Catalogs are gold mines for historians. The Sears and Ward catalogs have been aptly called "illustrated encyclopedias of social history." The products they present give a summary of the state of technology, economics, fashions, literature, life-styles, and even the morality of the times. The policies Sears and Ward pursued of presenting a great variety of products, at a fair price with good service and customer satisfaction guaranteed, helped to establish catalogs as a reliable form of direct distribution for millions of Americans. At the time of his death in 1914, Richard Sears' name was part of American folk culture, as was Aaron Montgomery Ward's, who died a year earlier. Rural politicians would tell their constituents, "There are three people you can trust—Jesus Christ, Sears-Roebuck and me." Catalogs had become fixed in the marketplace and the American psyche.

The Beginnings of Direct Mail

Some forms of direct business communications were in existence in ancient times among the Assyrians, Babylonians and Persians, using clay tablets and cuneiform inscriptions. A replica of the first known envelope—a Babylonian clay wrapper from the year 2000 B.C.—was recently exhibited at the Envelope Manufacturers' Conference. The first beginnings in early Colonial America was evidenced by orders to England of books, tea leaves, musket balls, and other products. Stage coach and pony express served as vehicles for direct mail in the old west. As early as the 1860s, a number of firms were using direct mail in the form of informational circulars and handbills to advertise their wares. This advance in direct mail was aided by the introduction of penny postage in 1863 during the Lincoln administration. However, direct mail, as we know it today, was made possible by the typewriter, which was invented in 1867 and began to appear in many offices toward the end of the century.

This spur to direct mail was also an impetus to the opening of the first lettershops, such as the Business Address Co. of N.Y. (1880) and R.L. Polk & Co. (1890). Perhaps the first big users of direct-mail advertising were the National Cash Register Co. and Burroughs Adding Machine Co. John H. Patterson, founder of NCR, pioneered the use of direct mail to get qualified business leads for salespeople. It is reported that, in 1891, NCR mailed almost four million pieces of printed material. Homer J. Buckley, who coined the term "direct mail," founded Buckley-Dement in Chicago in 1905, the first company to offer professional direct-mail creative services. In 1921, Leonard J. Raymond established Dickie-Raymond with the idea that it made good sense for major corporations to use a direct-mail agency, in addition to a general agency. The introduction of RFD in the 1890s and parcel post in 1913 were strong influences on the growth of direct mail.

It was also during this period that the Direct Mail Advertising Association, predecessor of the Direct Mail/Marketing Association and Direct Marketing Association, was established (1917), and third class bulk mail was instituted in 1928—signs that direct mail was coming of age.

The Birth of the Book-of-the-Month Club

The continued unabated growth of industrial and farm production, and the waves of immigration that enlarged the population, were spurs to the new cultural and social winds blowing across the land in the first third of our present century. A national political resurgence was slowly evolving, along with a renaissance in philosophy and education, in literature and art. This was symbolized, in part, by Theodore Roosevelt and Woodrow Wilson, William James and John Dewey, Theodore Dreiser and Sinclair Lewis, William Faulkner, Eugene O'Neil, Frank Lloyd Wright and others. The 1920s marked the appearance of *Time*, the *New Yorker*, and the *Saturday Review of Literature*.

Harry Sherman was an integral part of this literary and artistic resurgence. He was an author, writer and Renaissance man. In 1914, he became a member of a lively discussion group in Pleasantville, New York, whose members included Walter Lippman, the innovative publishers Charles and Albert Boni, Lawrence Langer and Josephine Meyer, both of whom later founded the Theatre Guild. The Pleasantville group buzzed with ideas—literary, artistic, philosophical, political, sociological.

It was out of this social environment that another milestone in the direct-marketing saga was reached. Sherman and Maxwell Sackheim founded the Book-of-the-Month Club in 1926 as an adaptation of magazine subscription and mail-order methods in the marketing of books. This evolved into a new direct-response technique—the negative option.

Both these men were veteran direct marketers. In 1916, they started *Little Leather Library*—selling these fine pocket-sized books by mail at a dime each. They were aware of the paucity of book stores outside the big cities. They knew that over 50,000 post offices were capable of delivering direct mail and books economically and expeditiously. Equally, if not more, important, was the increase in public secondary and higher education. Large sections of second-generation Americans were eager to acquire an understanding of the new American tradition and experience, while maintaining their European cultural links. All of this led to a vast interest and desire for good books. Sherman and Sackheim respected the intelligence and wide reading habits of the public. And in this socioeconomic and cultural environment, the Book-of-the-Month Club was founded.

It flourished over the next half century, expanding into a number of subsidiary book clubs, a record club, and into other, related products such as typewriters. In 1983, BOMC set up a computer software division and began testing by mail the sale of computer software products.

In 1927, the Literary Guild was established by the Doubleday Company. It offered quality books at lower prices than retail and is today the single largest book club in the United States. In 1950, Reader's Digest started its direct-mail operation and is one of the largest and most successful operations in the direct-response promotion of its magazines, books and other products. In 1959, Bell & Howell began its direct-mail operation. Over the next two decades, the company sold, via direct response, over two and one-half million movie outfits plus other products.

Postwar Emergence of Specialty Firms

The years following the defeat of Nazi Germany in 1944 brought still another direct-marketing advance. Goods were scarce and demand high. It was a seller's market. The vacuum it created gave rise to a host of specialty companies such as Miles Kimball (started in the late '30s), Spencer Gifts, Sunset House, Foster and Gallagher, Hanover House and others. These specialty item catalogs often featured new low-priced products and gadgets of both domestic and foreign manufacture—especially Japanese. This period also saw the phenomenal genesis of Fingerhut, and the growth of a variety of cheese and food companies, nurseries, and other mail-order firms.

For the two decades following the war, the United States was the unchallenged economic and political world power. The expanding economy was embracing larger segments of the population, including increasing numbers of the affluent professional and middle classes. The exodus to the suburbs was under way.

A revolution of rising expectation exploded during the '50s and '60s which extended across the entire political spectrum. It was expressed in the consumer and environmental stirrings, the student and youth rebellions, the civil rights, women's liberation, and senior citizen movements. These popular strivings impacted the entire social fabric, including the marketplace.

Time-Life Books

Direct marketing flourished during this period. At the end of the '50s, Time-Life Books got underway to supply the educated and affluent population with books of fine quality, both in content and format—albeit, these books were used occasionally as coffee table "printature." In the next 20 years (1961-1981), Time-Life Books published 546 different book titles, sold over 277 million volumes. They were translated into 27 languages. A footnote to these developments was the early effort by Time-Life Books to use the parent company's house lists as a source for planning new products and new business . . . a practice which has become widespread in direct marketing.

During the recession (1979-82), Time-Life Books showed a decline in sales and profits. A turnaround occurred in late 1982 and continued through 1983. This growth was a result of the installation of a new management team, reduction of staff during the recession, and improved financial controls, as well as finer tuning of the target market.

The Rise of the Franklin Mint

In 1961, Franklin Mint began its direct-mail promotion with precious metals in the form of coins and ingots. In the ensuing years, it expanded into a vast array of collectible products: fine books and records, lithographs and art objects, crystal and porcelain. These products were created and marketed by the company, as it widened its manufacturing base among millions of new buyers of collectibles. During the '70s and into the '80s, collectibles of porcelain became the major items. These included decorative arts, home decoratives, as well as museum reproductions. In the limited edition plate collectibles field, there were an estimated seven million collectors in 1983—a sevenfold increase over 1973. The largest groups of collectors are in coins, stamps and plates.

The Franklin Library was established in 1973 to offer books in the classic tradition and of literary significance—leather-bound and produced to high standards of quality. The first test was sent to the Franklin Mint's active collectors and to the American Express list, offering 100 classics at $28 each, to be delivered serially during the next eight years. Thirty-two thousand of the almost three million prospects responded affirmatively, generating $90 million in front-end commitments for the books.

In 1981, Franklin Mint was acquired by Warner Communications, the entertainment giant. Warner's chairman had been impressed by Franklin's performance in "broadening the base of its business." He had, also, been attracted to the company because "direct-response marketing will be an increasingly important method of selling a wide variety of products." Another benefit to Warner was the use of Franklin's large mailing list of well-to-do people in marketing such Warner products as records, books, video cassettes and videodiscs. Added to this are the possibilities for direct marketing in pioneering and expanding cable television and the interactive QUBE operations of Warner-Amex Cable Communications.

In the fall of 1983, Franklin Mint, under the aegis of its Catalog Ventures Group, published its first catalog—Warner Scientific—a science-art-nature catalog. This fine 32-page book features games, projects, models, kits and toys geared to every age and ability level. It invites the prospect to explore the reaches of science and nature. Among the items displayed are a programmable home robot ($2,500), personal computers, computerized chess sets, electronic science sets, construction and building kits, 90 fun projects at $38 each to build your knowledge of physics and other sciences, as well as other electronic and gift items. The catalog includes a monthly continuity program called "The Wonders of Science Discovery Program" at $19.50 per month. The continuity program will also be promoted separately by direct response.

All products are selected with the guidance of the Franklin Institute Science Museum. The Catalog Ventures Group is preparing a woman's apparel catalog for late 1983 and is looking into catalogs in other areas. It hopes to identify new product areas through its catalogs and to focus on solo direct mail, continuity programs, and a variety of direct-response programs in the years ahead.

Separate from the Catalog Ventures Group, Franklin Mint continues to mail its Christmas gift catalog which, in 1983, featured items created by its own artists and craftsmen. This included gift products in metallic, porcelain, heirloom ornaments, jewelry, literary classics and fine leather items.

With a database of two-and-one-half million names, Franklin Mint put out 250 new direct-mail promotions in 1983. Space advertising continues to be its main advertising to prospects. The estimated total sales for 1983 are $450 million, worldwide.

Columbia Record Club

The Book-of-the-Month Club was the original impetus to the start and development of hundreds of companies in the continuity club field. Many prospered and some fell by the wayside. One of the largest and most successful is the Columbia Record Club which began in 1955 in response to the growing music market—particularly among the mass teen, student, and youth population. On August 21, 1955, it published its first ad in the *New York Times*, offering one record free if members would buy four other records during the year. Within six months of testing various offers, the right formula evolved for this period, namely three free for joining the club with obligation to buy four during the year.

As with virtually all beginnings in the continuity club field, retailers were hostile to the Columbia Record Club in the early years. But, as it became evident that the Club was stimulating store sales, the opposition eroded. The Columbia Club grew rapidly and prospered until 1979, when its sales and profits lagged for the next two years. The Columbia Record and Tape Club, as it is now called, prospered for almost a quarter of a century. A continuing problem, that requires effort, ingenuity, and experimentation to overcome, is the considerable drop-out rate and the constant need to bring in new members. One of the most successful devices used by the Club involved the blank box, tinted gold, on the order card in all print advertising. TV support commercials told viewers they could get a free extra record by simply writing the record number from the print ad in this special "gold box."

The factors that have made the Columbia Club successful through the years include a fine product, an effective and exciting offer with acceptable terms, a reasonable membership plan, and convenience. These factors are not static but, rather, are in a state of dynamic change, which requires creative handling for the continuing success of Columbia's business.

In 1983, Columbia House launched the Columbia Video Game Club—knowing that it had a proven track record as a direct marketer to a youthful audience, and that it had game product availability. Research also indicated that the Record Club's penetration of households of video game players was very high. Its four million Club member list was viewed as a tremendous asset. After considerable focus group and other research, as well as a wide-ranging media test campaign, the new Club was on its way with its specific negative option offer. The Club's catalog was made exciting and included helpful hints and a scoreboard. Each catalog contained a free poster of the Hit Game Selection. Also, every production includes a newsletter with short articles, both popular and technical.

Wall Street Journal and Marketing Strategy

A not unusual example of adapting one's marketing strategy successfully to changing conditions is that of *The Wall Street Journal.* The newspaper had been around for a long time with a modest circulation to a small audience of serious private investments and the professional financial community. With the ending of World War II, *The Wall Street Journal* was provided with a tremendous impetus for growth by the emergence of the United States as the strongest economic power on earth.

The Journal addressed itself to the ongoing problems of business growth and profitability and found a large audience eager to move successfully into the expanding economic mainstream through larger features in business and finance. *The Journal* embarked on a large and selective direct-mail operation which gradually evolved with a carefully orchestrated multi-media direct-response campaign, with the result that circulation in 1983 was well over two million.

The "Great Outdoors" Catalogs

Early Success of the L.L. Bean Saga

A review of the direct marketing industry would be incomplete without some comment on the legendary L.L. Bean. In 1912, this small enterpreneur—armed with $400 and with courage, integrity, and foresight—founded one of the soundest and most successful mail-order companies on the strength of a unique rubber-soled leather hunting boot he had invented. In the early years, sales improved slowly, but surely, as the company began offering new products in outdoor clothing and equipment.

A careful examination of an L.L. Bean catalog in 1917 (black and white, 12 pages) expressed its fundamental strategies and its marketing policy which haven't deviated to any degree through the years. The catalog features the Maine Hunting Shoe and other outdoor apparel along with clear and explanatory illustrations. Copy is specific, informative, factual, and low-key. Perhaps the most important aspect of the catalog is the guarantee which appears in a box on the front page It reads: "Maine Hunting Shoe—guarantee. We guarantee this pair of shoes to give perfect satisfaction in every way. If the rubber breaks or the tops grow hard, return them together with this guarantee tag and we will replace them free of charge. Signed, L.L. Bean, Freeport, ME."

The back of the catalog repeats the guarantee still placed in a box next to a return card which reads: "I am returning ________ by express collect. Please return my money as per agreement."

Copy on the top of the back page reads: "Everything I sell is delivered free and guaranteed to give perfect satisfaction. I do not consider a sale complete until the goods are worn out and the customer still satisfied. As to my standing and reliability, I will refer you to any person in

Freeport, ME." Below that three selectmen, a banker, the Postmaster, and the American Express agent all state "Any agreements or guarantees that he may make will be made good according to my best judgement and belief."

Next to the return card, Mr. Bean writes, "To impress upon you the broadness of my guarantee, I send you this return card, showing how easy it is to return goods and receive your money back. I deliver goods to your house to be examined at your leisure. If for any reason you do not want them, send them back. No explanation or excuse required." Back on page one, we read "with every pair, I give a small can of dressing and a repair outfit that will mend a cut or snag in five minutes. See guarantee tag that is attached to every pair, also a sample of rubber and leather used in this shoe. Delivered free on approval anywhere in the United States. Prices on back of this sheet." A full page order form appears on page 12.

This policy has been consistent through the years. Among other things it has gained L.L. Bean widespread free publicity in the print and electronic media. In 1982, 12.5 percent of American households knew about L.L. Bean. A columnist in *The Wall Street Journal* states, "Freeport, as millions of campers, hunters, and fishermen know, is the home of L.L. Bean. Bean is to camping what Kellogg is to cereal." Delta Air Lines in-flight Magazine, Sky (9/8/82), calls L.L. Bean "that 70-year-old patriarch of the woods," and opines, "Breathes there an outdoorsman who has not lusted over an L.L. Bean catalog?" described by one writer as . . . "steeped in wet feet, Yankee creativity, and a deep sense of personal integrity."

By 1967, sales totaled $4.6 million. In the decade between 1967 and 1977, sales increased 12-fold to almost $60 million. In 1980, sales reached $121 million, as more new products and broadened product lines were introduced in men's and women's apparel, sporting goods, and equipment in outdoor recreational activities. L.L. Bean recorded a growth rate of over 25 percent between 1967 and 1975. Between 1975 and 1980, the company's average return on equity was over 30 percent. The house file consisted of 2.2 million active customers. Women comprised 52 percent of the customers in 1980 compared to 25 percent in 1975. More than 26 million catalogs were mailed in 1980. In 1983 an estimated 55 million were mailed. The best customers received nine catalogs in 1980 compared to five in 1975. New customers were acquired by direct mail and print advertising. In a single day in 1981 43,000 packages were shipped. And in one week during November of 1981, 100,000 phone orders were received.

In 1982, total sales were $224 million, of which about $30 million was generated by its retail store in Freeport, ME. About 2.5 million people from all over the country and from around the world come to shop at the Freeport store annually. An interesting footnote is the fact that four of five families in the fashionable Dakota Apartments in New York City received the Bean catalog.

Throughout 72 years, the basic L.L. Bean policy has remained unchanged. As the founder stated it, "Sell good merchandise at reasonable prices and treat your customers like human beings, and they'll always come back for more." Now under the leadership of L.L.'s grandson, Leon Gorman, to this day, trust between company and customer remains the bedrock of policy. Direct-response ads are as simple and clear as in the early days. Catalog copy describes the merchandise consistently and fairly. Promotion continues to be low-key. Emphasis is on order fulfillment which is efficient and expeditious, and on customer service and satisfaction which remain paramount. The major operational change in these seven decades has been the introduction of a data processing system which has improved fulfillment and customer service as sales exploded.

The management of L.L. Bean has been guided by a fundamental policy of long-term growth and profitability rather than short-term profit aims. The company was quick to recognize that profound social changes were taking place during the 1960s, which would transform the outdoor sports and recreation field from a "class" to a "mass" market. As the recreation boom was on its way, L.L. Bean innovated with additional men's and women's quality products, displayed in 4-color catalogs, to satisfy the emerging interests of the mass of new consumers.

Eddie Bauer

A similar policy in the outdoor sporting specialty business accounts for the success and growth of the Eddie Bauer company. Perhaps a failure to understand this crucial change from a class to mass market explains the demise of other mail-order firms in the outdoor field.

An article in the *Wall Street Journal* in September 1983 opens with this significant statement:

"The Ford Motor Company has just unveiled its newest four-wheel-drive truck, the Eddie Bauer Bronco II. It is one of the factors in the increased customer awareness that Eddie Bauer has received in recent days, and is an indication of the expansion that the president of Eddie Bauer, James J. Casey, seeks for the sporting goods retailer.

"Ford wanted to tie in a truck that gets people to places where they can use the gear and wear the clothing sold by an outdoor outfitter such as Eddie Bauer" a subsidiary of General Mills.

Taking full advantage of the increased awareness of this company's products, Mr. Casey is reorganizing the management and structure of Eddie Bauer, with three new divisions—stores, manufacturing, and mail order. Sales for 1983 are well over $100 million with mail order roughly accounting for over 40 percent and the balance from its 31 retail stores. The plan is to expand the mail order business while establishing stores at ten new locations, with a continuing synergistic relationship between the two. Started as a mail-order house, it established its first store in Seattle in 1917, when it did $11 million in sales. Reciprocal relation between stores and catalog operation and new tie-in with Ford Motor Company augurs well for Eddie Bauer.

Early Winters

A dozen years ago, during a backpacking expedition into the Early Winters region of the North Cascades, a violent storm hit the tent of Bill Nicolai, a former computer programmer at Boeing-Seattle. Nicolai and a companion barely made it out alive. Like L.L. Bean, Nicolai decided he could build a better product. Calling upon his background, he designed the Omnipotent which is regarded as one of the finest expedition tents. At first it was a one-man, one-cottage industry, with Nicolai modeling his product at street fairs and trade shows. By 1975, while seeking ways to make a new lightweight tent that would be both breathable and waterproof (an unheard of combination) along came a new material called Gore-Tex that made the impossible real. Later, to the manufacture of tents, Nicolai added parkas and other relevant items, and soon business increased manifold. By the tenth anniversary, sales at Early Winters approached the $10 million mark. The increase prompted *Inc.* magazine to include Early Winters in a list of the 100 fastest-growing privately-owned companies in the country. With Gore-Tex, Early Winters came to be viewed as a serious technologically-oriented company, which aimed at finding new high-tech items and designing improvements for old products.

A Retrospective Look at Sears' Growth

From its modern inception in 1872, the term "mail order" has served as an accurate and felicitous phrase. For over 50 years, mail order was a precise term . . . order by mail. During this period, the post office was the primary, and, usually, the sole vehicle for mail-order promotion, ordering, and delivery. As times and conditions changed, the means for carrying out the mail-order operation also changed and improved. This can best be seen by examining the development of Sears, Roebuck.

With the aim of increasing sales to its customers, Sears introduced credit in 1911. (Spiegel had been the pioneer in offering credit on easy terms by mail in 1905.) The extension of credit has been one of the major factors in mail-order growth. In 1980, 25 million U.S. households held active charge accounts with both Sears' stores and catalogs. A similar trend was true of the other companies in the "Mail Order Big 5." Credit continues to assume an ever larger proportion of total sales.

Impact of Social Change

In October 1925, Sears opened its first retail store in Evansville, Indiana. (Ward opened its first retail outlet in Vincennes, Indiana in September 1926.) Thus began a trend that is highlighted today by the increasing reciprocal interconnection between mail order companies and their retail outlets. If we are to understand the evolution of mail order, we must answer the question: Why did Sears move ahead so rapidly with the opening of retail stores from the '20s into the next few decades? The answer lies in its management's uncanny social vision and ability to anticipate the effect of social change on the marketplace and consumer buying habits.

During these years profound changes took place. This was reflected in the growth of the automobile and the national highway system, the Great Depression of the '30s, vast demographic changes in a continually increasing population, World War II and its aftermath. By 1920, half of all Americans were living in rapidly growing urban centers. The auto was responsible for transforming the social map of the United States, particularly for the rise of the cities, (and later their decline) and the suburbs. The auto determined how and where we lived, worked, shopped, used our leisure, and where we located our factories, schools, hospitals, churches, and shopping centers.

It was Sears, the country's largest dry-goods merchandiser, that became the pacesetter for auto accessories, tires and supplies, as well as for the new household appliances and other durable goods. Sears became the main supplier to a population eager to get the new products they needed and wanted to satisy their changing mores and lifestyles.

The Mail-Order House

Sears played a major role in another area. Since Sears was selling everything for the home, the company reckoned it would offer the house itself for sale. This was in 1908. Selling pre-fab homes by mail order was nothing new. From the late 1870s, architects George and Charles Palliser of New York published pattern books, aiming their designs at "the masses of our country." It was an attempt to help the middle class build homes in good taste. An example of a Morgantown, West Virginia Mail-Order House is graphically described in *Goldenseal*, summer 1982, the magazine published by the state of West Virginia through its Department of Culture and History.

Murriel and Opal Wells, after living with Opal's parents for eight years, decided to order a house—pre-cut, numbered pieces shipped as one package by railroad. The house had been described and illustrated in the Sears, Roebuck Catalog. The total price was moderate, and they bought the pre-fab house in February 1928 on the easy-payment plan. It cost $2,400 delivered. By the time it had been completed, the total cost was $4,100. The Wells paid Sears $38 a month—$19 interest and $19 on the principal.

Mr. and Mrs. Wells had a lovely home which included two bedrooms, living room, dining room, kitchen and bath. They moved in on August 13, 1929. Then came the Great Depression, the banks failed and their modest savings were wiped out. But Mrs. Wells, who lives in the same house 53 years later, said that Sears was very understanding. The company arranged for the Wells to pay only the interest for a number of years. Opal Wells speaks of Sears, Roebuck with appreciation: "They were angels," she says.

It is of no little interest to note that, after half a century, the mail-order house is still in excellent shape outside as well as in. There are very few changes, none structurally. The original plaster is still on the walls and the only crack in the ceiling occurred after 50 years.

In their catalog promotion of these pre-fab homes, Sears appealed to young couples who were desirous of moving into the suburbs to raise their families. The promotion stressed that all building instructions were typewritten, that the house could be built with little outside help.

Most exciting for the housewife was the decorating advice found in the catalog. Suggested materials, doors, buffets, leaded windows, various moldings, flooring, newel posts, and lock sets were only a few of the options. An illustrated catalog also guided her in the selection of furniture and accessories appropriate for her new house. A well-marked floor plan was included with each order enabling her to select the best arrangements.

A post-script is in order. From 1908 to 1933, Sears sold 100,000 of these pre-fabs from its catalog. Quite a few were sold in Northern New Jersey and New York, and in every borough of New York City except Manhattan. The present owner of one of these pre-fabs, in Staten Island, wrote in the *New York News* (1982), "The quality of the house was unmatched for its time, and, even now, 57 years (after it was assembled), it is as solid and as sound a house as we've ever seen."

To conclude this historical footnote: Sears, Ward and other mail-order companies dropped out of the business of pre-fab homes as a result of the Great Depression. Massive unemployment and widespread closing of banks brought about too many foreclosures, because of inability to pay the installments.

Rise of Sears' Catalog Mail-Order Business

In the '50s, Sears took the lead in setting up a network of catalog desks, catalog stores, and agencies in key urban and suburban areas of the country, to provide for the new and growing demands of the catalog mail-order business. During the '60s, the telephone became the major vehicle for ordering from the Sears and the other "Big 5" mail-order catalogs. The introduction of the 800 incoming WATS lines vastly expanded ordering by telephone. In 1980, only three percent of Sears' catalog orders came via the mail, while 87 *percent* of catalog orders came via the telephone. It should, also, be noted that the Big 5 mail-order companies employ hundreds of telephone operators to solicit orders from their customers for new and special merchandise and for other sales purposes.

The Sears Phenomenon

A review of the Sears catalog, now in its 97th year, has profound lessons for direct marketers. In 1980, the catalogs contributed about $4 billion of Sears' annual merchandise revenue. (In 1982, Sears produced 43 catalogs for a total of 300,000,000 books.)

According to J.B. Kelly, Vice President, Catalog Sales (now retired), the Sears catalog has numerous functions, most of them marketing, as follows:

1. To sell the company's goods: (the function of advertising and promotion);
2. To develop specific geographical areas into markets when it becomes logical to open a retail store;
3. To use the catalog to supplement the store's assortment and selection. (A large assortment of curtains is easy to display in a store and takes up a few square feet of space. Bedspreads and quilts look best when displayed on a bed and that takes lots of valuable floor space; ergo, Sears' catalogs have a minimum assortment of curtains, but a wide display of bedspreads can best be shown covering dozens of pages in the general catalog.);
4. To use the 17 specialized catalogs to develop volume businesses you are not in, or cannot be in, with a general department store. These catalogs include western style clothing, clothing for big and tall men, floor coverings, toys, tools for the home, etc.;
5. Use the catalog to increase the number of credit account customers;
6. As a forerunner of future business direction; e.g., the opening of five business-equipment specialty stores selling small business computers and software, copying machines, calculators, typewriters, word processors and dictating machines. (Compare this with the plans of IBM and Xerox, envisioning opening hundreds of similar-type stores, without the wealth of information and knowlege accumulated by Sears in the last several years in its specialized catalog of office supplies and equipment).

Sears' view of the catalog as a marketing force rather than as an advertising tool is known internally as "total marketing." Marketing is viewed as "an orientation towards running a business." This approach might well explain why Sears is in the vanguard of exploring, experimenting with, and testing the new world of the electronic catalog.

Finally, it should be noted that Sears has one of the most comprehensive catalog circulation systems in its computerized customer file. This sytems keeps records of the catalog purchases of 30 million households. It arranges these customers not only by what their purchases have been but, even more important, develops a dollar estimate of what each customer will buy from a Sears catalog in the next 12 months, if given one.

These records are strengthened by an extensive and continuing research and testing of customer attitudes toward products, services, copy, art. The impact of lifestyles is indicated not only in Sears' special interest and general catalogs, but also in its stores. In 1983 it upgraded many existing stores to cluster merchandise groupings around customer living habits, such as photography, audio and video products, etc. Sears' research has shown that the retail-catalog interaction is beneficial to both sides of the business; e.g., a family that receives a catalog is twice as likely to shop in a Sears' store and spend twice as much as a household which hasn't received one.

After decades of steady growth in catalog sales, a decline occurred in the recessionary years of 1980-82. As already pointed out, Sears has taken a number of strategic and marketing actions to overcome this sluggish trend. Sears' catalogs are pivotal in this strategy. Gordon Weil, in his book *Sears, Roebuck, USA*, emphasizes the fact that the catalog's main appeal is in the vast assortment of merchandise and the clear and complete description of the products—plus the increasing use of the telephone for ordering. This point is confirmed in a nationwide series of full page print ads in 1982 which read, in part, as follows:

Why 1 American family in 3 counts on the Sears catalog

Our picture (of a family dining) shows just one reason so many families keep a Sears catalog handy. Here are ten more:

1. Sears new General Catalog lists almost 100,000 products. Or check our 18 *Specialogs*, such as *Home Health Care* and *Home Improvement.*
2. Save time and order by phone.
3. Pick up your order at over 3,400 Sears Catalog Units.
4. Delivery is available at extra cost.
5. Sears will "Ship-A-Gift" for you anywhere in the U.S.
6. Famous Sears values.
7. Quality you can count on.
8. Sears services what they sell.
9. With Sears credit, you can charge your order.
10. Finally, everything you buy is backed by the famous Sears promise: *Satisfaction guaranteed or your money back.*

Find out how to get the new Sears catalog at your nearby Sears store.

You can count on

Sears
SEARS, ROEBUCK AND CO

Increased Direct-Response Media Activity

Beginning in the late '40s, direct mail took a large step forward both in volume, quality, and a vast variety of formats, including the greater use of four-color brochures. New promotional techniques—stamps, tokens, sweepstakes, coupons, billing and package inserts—were becoming widespread and often more effective. Coupons, whether placed on a page in a supplement, or in a preprint, have become effective performers for direct marketers. Post-card and card-deck mailings, catalog bind-ins and statement stuffers, and the old standby—co-op mail—played a continuing role. Coupons have been around since 1898, when C.W. Post started using penny-off coupons to sell cereal. Only in recent years has the practice hit full stride. In 1982, 119.5 billion coupons were issued in all promotions, bearing a face value of $25 billion.

During the '60s and '70s, direct mail continued to be the underlying base of the multimedia revolution with the list as its core. This development was aided by the computer, ZIP codes, and census tracts as tools for market segmentation.

Direct response advertising in magazines and newspapers has continued through the years. It reached a turning point, in 1959, in the form of a four-page bound-in card stock centerfold-insert with a perforated BRC which appeared in *TV Guide.* The ad was created by the Wunderman, Ricotta & Kline agency for the Columbia Record Club. This revolutionary production technique opened up new print possibilities, including bind-in inserts in a wide variety of forms. It was a factor in the rapid growth of other types of direct-response print advertising, including the meteoric growth in the '60s of free-standing newspaper inserts. These inserts or preprints came in many forms: 4- 8- or 16-page "mini"-magazines that fall out of Sunday papers; ad inserts that are dropped or bound into a periodical. They are often quite succesful. According to one 1981 survey by the research firm Starch-INRA-Hooper, free-standing inserts in a Sunday edition of the *New York Daily News*, received a 90 percent readership score.

Between 1978 and 1982, the number of free-standing inserts in newspapers, both Sunday and daily, grew from 24 billion to 30 billion. One example of the competition for this growing massive distribution is seen in the work of Advo Systems, Inc., of Hartford, CT. The company claims it can deliver circulars to markets, ranging from a single ZIP code to 85 million American households, through coop mail, or as it is called "shared mail," or "marriage mail." It sent out seven billion mail packages in 1983.

This operation is to be expanded in 1984 by Blair Marketing and Advo in a joint venture called Network Mail. This will be bi-monthly coop and coupon mailing of 48,000,000 packages. It is worth noting that Allstate Insurance Company (a subsidiary of Sears, Roebuck) is a partner in Advo Systems.

At the same time, newspapers are going into direct mail more vigorously by covering households where the newspaper is not delivered. *The Los Angeles Times*, for example, offers advertisers a choice of 147 geographic delivery areas.

In the 1950s and 1960s, as radio stations began to fear over-commercialization, as well as competition from TV, they instituted a 60-second commercial time limit. This substantially decreased direct-response dollars going into radio. However, as more specific markets became available in the 1980s, direct response has increased. Many direct marketers continue to find radio cost-effective as witness the *Wall Street Journal*, that publication's *National Business Employment Weekly, Smithsonian, American Heritage* and others.

In the '50s and early '60s, television response commercials were still largely heavy-handed, with a "pitchman" bravado. It was in the late '60s and '70s that TV direct-response advertising increased not only in volume, but also in quality—both in direct sales of books, records, and other merchandise, in generating leads, and as a support medium for direct mail. The latter technique was introduced by Reader's Digest in 1969. Its success in increasing direct-mail and telephone-response led to a considerable growth in this type of TV support commercial by other direct marketers, including Publisher's Clearing House, Time-Life Books and Columbia House. With the increased use of new media and new techniques in the '60s, the term "direct response" (or direct response advertising) came into vogue, and rightly so.

As far as can be determined, the first use of the term "direct marketing" occurred on October 1, 1961, in a speech by Lester Wunderman to the Hundred Million Club (now the Direct Marketing Club of New York.) The term was used again and elaborated on by Wunderman in a speech at MIT, November 29, 1967. He said, "I believe the term 'direct marketing' is more appropriate than mail-order selling . . . direct marketing where the advertising and buying become a single action . . . direct marketing is still on the debit side in most advertising and marketing forums . . . (But) The future of direct marketing is bright. It represents a significant—perhaps a revolutionary transformation in our economy."

In May 1968, Pete Hoke changed the name of *The Reporter of Direct Mail* to *Direct Marketing Magazine*. From that time on, he became the outstanding proponent and missionary for the term direct marketing, helping to define and refine its meaning and to broaden its scope and signifiance. Currently, the term has become more popular and more favorably accepted in advertising, marketing and business circles, in print and electronic media, in academia and, not least, in increasing numbers of the consuming public.

Credit Cards Spur Growth

The credit card revolution that began in the '50s has had an enormous impact on direct-response marketing across the board. It has opened new vistas in high-ticket merchandise and syndication. There are an estimated 600 million credit cards in the United States. This trend has been especially manifest among large oil companies, banks, airlines, American Express, and other T&E cards. The first T&E card was established in 1950 by Diners Club, followed by American Express in 1958 and Carte Blanche in 1959. The Bank of America introduced its card in 1958, followed by banks throughout the country in the '60s and '70s. Bank credit cards enjoyed steady growth until 1979 when the total number of Visa cards and Mastercards in circulation reached 120 million. During the recession of 1979/82, the bank credit card market became saturated, and both cards declined to 103 million at the end of 1982. However, the number of transactions and sales generated that year was 1.5 billion of the former and $65 billion of the latter.

Diners Club

The founders of the Diners Club were Al Bloomingdale and Ralph Schneider. They reasoned that new means of transportation and communications emerging immediately following World War II would bring about the development of domestic and international business activity on an unprecedented scale. They foresaw that, in a period of economic expansion, the widespread acceptance of credit would become an accepted fact of business life. Subsequent events were to prove them right beyond their wildest dreams.

American Express

American Express has greatly enlarged its direct mail and catalog merchandise activities to sell quality products to its upscale card members. In 1980, the card division sent out 200,000,000 pieces of mail to attract new card members. American Express is the largest single client of the New York City Post Office, and one of the three or four largest users of direct mail in the nation. In 1980, the merchandise division sold 525,000 Carnegie Hall records; 6,000 King Tut busts; 31,000 Gorham plates; 13,000 Panasonic TV sets. In four years, 12-million Dutch tulip bulbs were sold. In 1980, American Express issued a special China catalog, and other special catalogs are in the offering. From $29 million in sales in 1974, sales in 1981 rose to $150 million in the Merchandise Sales Communications Division of American Express. The division sent out 44 different catalogs and direct-mail packages that year.

In 1982, the Division sold 30,000 Gucci watches at $150; 70,000 Sinclair computers at $100/with adapter $149; 8,000 Sony stereos at $1,600. The number of Selectric typewriters sold were 18,000 at $690/with accessories $795. In 1983, the estimated figures are: sales, $182 million; direct-mail packages (catalogs, solos, etc.), 110 million. It has a joint venture with AT&T and devotes two pages to AT&T products in its catalog. In 1984, the division will focus on specialty catalogs such as: American Express Means Business (business & related products); Electronics by Design (consumer electronics); Telephone catalog; Software catalog; Don't Leave Home Without It (travel related products). With its large upscale customer lists, no finance charges, 20 months to pay and 15 day inhome trial for its fine products, the merchandise division has a growth outlook in the years ahead.

Citibank

Similar merchandise efforts are apparent among banks and other companies in the credit card field or with credit-approved lists. Another example is the increased direct-response activities of airlines, especially with inflight catalog books featuring gifts, accessories, and other products. Banks throughout the country have expanded their direct-response marketing in promoting and selling merchandise to their cardholders. Citibank is a prime example of this trend, which is focused on its MasterCard and Visa cardholders. It offers its "Citidollar$" program toward catalog merchandise discounts with every purchase made. In addition, it offers an array of other programs, including mail-order book sales and a computerized shopping service jointly with Comp-U-Card, which seeks out best-buy merchandise by computer for members of the Citi $hopper Discount Shopping Service. Another variant in the use of bank credit cards for direct marketing is the program of the American Automobile Association which comprises 70 auto clubs and involves some 20 banks. Under the program, a bank offers such benefits to club members, as a Visa card which includes travel insurance with reduced annual fee for the card. Banks see the nation's 23 million auto club members as a lucrative and credit-worthy market.

The Evolution of Syndication

Syndication in direct response of any significance had its beginnings in the '50s with such products as tools, dinnerware and some other merchandise—but the main impetus came in the next decade when the oil companies entered the field. One of their aims was to increase traffic at their stations. In 1959, Bell & Howell launched the Robert Maxwell division to promote its movie camera for $150 . . . a high price for any mail order merchandise in those days. It had enormous success in the mail-order field and in syndication. For many companies, syndication was a highly profitable business in the 1960s. This was particularly true of the oil companies and others with established credit-worthy and large lists, such as T&E cards, bank cards, mail-order companies, and publishers. The inclusion of sweepstakes offers often increased response substantially. Syndication utilized a variety of formats including solo mailing packages, statement inserts, remittance reply envelopes (bangtails), and catalogs.

The substantial profits for all parties that existed in the early years of its growth is no longer the case at the beginning of the 1980s. Lower response, as syndication proliferated, and the cost squeeze in postage, printing, merchandise, and financing have created new and serious problems for some syndicators. A decline of syndication by oil companies as a result of the energy crisis in the late 1970s has further complicated the situation. Oil company syndication in 1982 was $500 million down from the previous year. The recent emphasis by syndicators has been on the use of inserts and bangtails instead of solo direct mail and on efforts to develop long- and short-term continuity programs.

The Significance of the Increase in Working Women

Perhaps the single most important social factor that has influenced the marketplace has been the meteoric increase in the employment of women in the past decades. In 1981, 45 million, or over 50 percent of all women, were in the labor force. Women comprise 43 percent of the entire work force in the United States. Of 19 million new jobs added in the past decade, 11.5 million went to women, or three out of five. In 1979, 1.4 million of 2.1 million new jobs went to women, or two out of three.

According to a Louis Harris poll for *House & Garden* Magazine, 66 percent of working women, 25-40 years of age, represent dual-income households with children. 70 percent of households being formed are two-income households, and they will dominate the market-place of the '80s. The Postindustrial Society, as it is sometimes called, is more and more female-centered in employment. Women now comprise well over half of all undergraduate students in the U.S. 70 percent of all jobs are now in the service industries: health, travel, leisure and recreation, art and entertainment, non-profit institutions and associations, civil service, education, information and knowledge industries (including R & D), new communications and communications industries, data processing services, etc.

The U.S. Labor Department estimates that, between 1983 and the mid-1990s, many of the new jobs created will be taken by women. One caveat on this estimate should be kept in mind: female employment is concentrated in areas particularly prone to displacement by automation, as for example, in offices, banks, insurance companies, as well as in the clerical jobs in smokestack industries. In the developing hi-tech industries, women are generally employed in the less-skilled and lower-paying jobs.

The AT & T Annual Report (1980) states that the business sector of the information market, (i.e. business telecommunications, data processing, word processing and handling, business travel) stands at $200 billion annually and is expected to triple by the end of the decade. According to Prof. Eli Ginsberg (*Scientific American*, March 1981), the production of goods in 1978 comprised 34 percent, and services 54 percent of the gross national product. In 1977, 25 million (32 percent) of the workforce was employed in the production of goods, 54.4 million (68 percent) in the service sector.

About 32 percent of jobs in goods-producing industries aren't involved in production. Rather, they are largely service-type occupations. Three of every four workers on non-farm payrolls are employed in service-oriented businesses.

Changes in the Marketplace

For direct marketers, it is vital to recognize that this social transformation is changing the marketplace. According to a recent psychographic study, many families with two incomes entertain more, use stereo, are into do-it-yourself, are prime prospects for microwave ovens and their time-saving system of meal planning and preparation, as well as the new products of the telecommunications and televideo revolution.

Today's consumers are more educated, more sophisticated, and more skeptical of advertising. They want more information and less exaggeration. Consumers expect sound value; i.e. quality at a reasonable price. They are concerned with the quality of life, self-realization, and a variety of experiences achieved without always acquiring products. It is a matter of fact that a multiplicity of markets exist side by side and are ever-changing; that the individual consumer is contradictory at different times, with changing values and attitudes, with distinct tastes and interests which make up his or her lifestyle.

In this complex situation more direct marketers are embracing the modern marketing concept which tries to get the company to stock, and even to anticipate, what the consumer wants and needs. Fortunately, new technological tools and advances in biology, psychology and the social sciences make it possible for direct marketers to become more professional in long-range planning, innovation and product development, and in market research and analysis, in order to better zero in on what makes the consumer tick.

An understanding of psychographics and lifestyles has become the prime factor in today's targeted marketing.

Daniel Yankelovich, in his book *New Rules*, states that "the struggle for self-fulfillment is the leading edge of a genuine cultural revolution." The author points out that many espouse an ethic of commitment that helps to preserve older American values they cherish with new values embracing greater autonomy for men and women, more freedom to choose one's own lifestyle, self-expression and creativity, and a more caring civic attitude. These changing social values have a significant impact on the marketplace. Consumer values more than demographics alone help to determine buyer behavior. A market has been defined as "people with needs to satisfy, money to spend, and willingness to spend it." Psychographics is the measurement and analysis of the consumers' propensity to purchase.

One recent study showed that, in similar demographic areas in California and New York, sales of swimming pools, cook-out, and garden products were twice as high in California. In the mid-70s, a top Sears executive stated that his company "makes a scientific examination of the consumer along psychographic lines and, from these, charts psychological traits and likely consumer behavior." These changing wants and needs of the consumer are then coordinated with product development and a marketing program. Edward Donnell, Chairman of the Board of Montgomery Ward, has underscored the new and changing marketplace when he remarked on "consumers' changing needs, wants and lifestyles from a post-Civil War agrarian society to today's fast-paced urbanized mobile jet age."

Life-Style Research

An extremely useful book for direct marketers is *The Nine American Lifestyles* by Arnold Mitchell, based on a three-year study of Values and Lifestyles, or VALS for short, developed in conjunction with SRI International. The accompanying chart summarizes these findings regarding American lifestyles and important attitudes.

The Need-Driven Groups

Survivors—Old, intensely poor, fearful, far removed from the cultural mainstream. 4% of the U.S. adult population.

Sustainers—Angry, resentful, street-wise, living on the edge of poverty, involved in the underground economy. 7% of the U.S. adult population.

The Outer-Directed Groups

Belongers—Aging, conventional, content, intensely patriotic, traditional Middle Americans. 35% of the U.S. adult population.

Emulators—Young, ambitious, flashy, trying to break into the system. 9% of the U.S. adult population.

Achievers—Middle-aged, prosperous, self-assured; the leaders and builders of the American dream. 22% of the U.S. adult population.

The Inner-Directed Groups

I-Am-Me—Very young, narcissistic, impulsive, exhibitionist; a transitional state to Inner-Direction. 5% of the U.S. adult population.

Experiential—Youthful, seeking direct experience, artistic, intensely oriented toward inner growth. 7% of the U.S. adult population.

Societally Conscious—Mission-oriented, mature, successful, out to change the world. 8% of the U.S. adult population.

The Combined Outer- and Inner-Directed Group

Integrated—Psychologically mature, tolerant, understanding, flexible, able to see "the big picture." 2% of the U.S. adult population.

The single most compelling reason why marketers should know about the values and lifestyles of Americans "is that they tell us so much about who we are—as individuals, as citizens, as consumers and as a nation." By the term "values," Arnold Mitchell means "the entire constellation of a person's attitudes, beliefs, opinions, hopes, fears, prejudices, needs, desires and aspirations, that taken together govern how one behaves. One's interior set of values—numerous, complex, overlapping and contradictory though they are—find holistic expression in a lifestyle."

Further, "an individual's array of inner values create specific matching patterns of outer behavior—that is, of lifestyles. Neither values nor lifestyles alone, would be sufficient to provide the (necessary) framework . . . Behavior—private, economic, social or political—is not random but reflects specific sets of inner drives. These drives may have their origin in external reality, such as poverty. They may also originate in inner reality, such as the dream of being a great athlete." A framework linking the outer and the inner world helps yield the comprehensive VALS system.

It is evident that the most fundamental business use of lifestyle research lies in market segmentation. The automobile provides a familiar illustration that "different value groups tend to buy different products and services for different reasons. Achievers buy more large and luxury cars. Belongers tend toward "family-sized" cars. The socially conscious purchase more gas savers; muscle cars are bought by emulators and experientials, the need-driven are heavy in the second-hand market. And the author continues "The Inner-Directeds are far more likely to buy a foreign car than the patriotic America-first belongers. Literally hundreds of market segments can be delineated by running various demographic, attitudinal and financial cross-tabulations."

An analysis of two of the nine VALS types as applicable to catalogs is provided by Rebecca Holman, Manager-/VALS programs, at Young and Rubicam, one of the agency subscribers to SRI International's VALS programs.

The Socially Conscious types are concerned with conservation issues, and response might be increased by indicating that the paper is recyclable. They seem almost not terribly interested in fashion changes but, rather, in functional design or fine craftsmanship. The group is the best educated of the nine VALS types. Copy should be presented very intelligently without talking down to them. Their median age is 37 to 38; they were part of the Woodstock generation; they are sensitive to the problems of elderly people and would accept a catalog that showed a variety of individuals including young, elderly and different ethnic groups. Additionally, this group is interested in getting a lot of information; a large proportion are dual income households. They spend a lot of money on books and records, are house-centered and like working with their hands (organic gardening for example).

According to Holman, Belongers are oriented to tradition. The neighborhood is their focus. Products that are family centered are most important together. Catalogs in this group should show models that represent neither an extreme in age or type. They want assurance of quality; guarantees are very important to them. They would like to be treated as individuals, and, when they call a toll-free 800 number, they like to be addressed by their name.

The conservative Belongers make up the mass market that many companies have been selling to for years. They are 35 percent of the adult population but will shrink somewhat in numbers in the mid- and late-'80s. The Inner-Directed consumers will grow from 22½ to 30 percent of the population by 1990. The Inner-Directed group wants high quality products, exhibits less brand loyalty, and is more willing to experiment. These buyers are often innovators and leaders, making them an important target for marketers of new products.

Direct marketers have to understand what makes people tick in order to develop methods and appeals that achieve effective results to different market segments. What lifestyle research tries to do is bring people alive, to look at a person historically, as an entity, not as isolated pieces.

The Increase in Two-Income Families

By the end of the decade it is estimated that the population representing incomes beginning at $35,000 (in 1980 dollars) for a household of four will be a dominating factor in the marketplace. Made up of 13 million people in 1980, estimates indicate it will grow to 21 million in 1990. The $35,000 to $50,000 will grow largely from two-income families. Overall, 42 percent of all households have two or more persons working. But in families with $35,000 income or more, over 64 percent include working wives. Presently—and increasingly in coming years—affluent households are more likely to be two-income families, headed by individuals in their middle to late thirties. These families are the buyers of video games, video cassette recorders and home computers; they are the generation that grew up on television and modern technology. They do not have much free time, and many of them have become ardent mail-order buyers.

These two-income families are interested in quality education for their children and for continuing education for themselves. This also explains the startling success of such magazines as *Smithsonian*, and the strong showing of science magazines, including, *Science 82*, *Discover* and *Science Digest*, as well as *Psychology Today*.

Thomas H. Black of *Smithsonian* explains the phenomenal growth of its circulation from its founding in 1970 to its circulation of nearly two million in 1983 as follows: "One of the most significant socioeconomic developments in history is the growth (since World War II) in the number of people educated, and who have attained a more affluent life style—if the market were the same today as it was in the 1950s, *Smithsonian* might not even have a circulation of 400,000."

In the past few years, a vast increase in research and analytical information has become available on consumer purchasing behavior. Simmons Market Research Bureau has introduced computerized psychographic information on product users. Its Insight Retrieval Systems program tracks users of 4,000 brands. This is integrated with SRI International's VALS program.

Among other developments in this field is included the "47 clusters" program based on lifestyles of 72 million U.S. households offered by Donnelley Marketing Information Services. An update of this is the Cluster Plus program which matches Simmons respondent database on individual households with Donnelley's national household file. Cluster Plus is both a *strategic* tool for evaluating consumer markets and a *tactical* tool for implementing marketing programs. It can be used to evaluate media effectiveness and customer lists, as well as to identify emerging new markets.

Upscale Magazines on the Move

Many of the consumer magazine success stories of the last decade have involved affluent-oriented magazines. For example: Since 1975, *Architectural Digest Magazine* has almost tripled its circulation to 600,000; *Town & Country* has nearly tripled its circulation to more than 300,000 in the past decade; *Vanity Fair*, reincarnated in March 1983 as a magazine for the "new young elite," has received more than 500,000 subscriptions, double the first issue's circulation base of 250,000.

There seems little doubt that the most critical factors that have stimulated the market for affluent-oriented magazines stem from the changes in the size and composition of the affluent population—particularly, the rapidly increasing number of young newly affluent households. The availability of highly-segmented mailing lists of this section of the population has been another factor in the rapid growth of these magazines.

In a memorandum on the list of *Psychology Today's* 750,000 subscribers, The Kleid Company makes the following cogent comments: The subscribers are overwhelmingly young (30.5 median), on-the-rise ($27.5 median income) career builders with a curiosity about modern life, a zest for new ideas and experiences, and a taste for the ease and convenience of mail-order shipping. The memo further states that the magazine's subscribers are likely to respond to offers for books of information and entertainment fact-oriented magazines, record clubs, self-improvement seminars, contribute to quality-of-life organizations, and use mail-order catalogs to locate hard-to-find items.

According to census data and demograph research 75 percent of upscale affluent women (ages 25 to 65) are in the workforce. These upscale women are characterized not only by their income but also by their motivation and taste as well as by various demographic factors. They want to be something in their own right, have a sense of self and self-esteem; want individual status and not only derived status.

With their credit cards, they are buying large ticket items (stereos and furniture, videocassette recorders, spectacular vacations). Depending on the size of their household, these upscale affluent women are a vast market for apparel, jewelry, housewares, home furnishings, gourmet items and gifts.

These women are readers of magazines, newspapers, and books. Still loyal to the traditional women's fashion and service magazines (*Vogue, McCalls, Womans Day*—all three of which are adjusting to the new lifestyles), these women are also supporting a new generation of publications—*Savoy, Ms.* and *Working Woman*. Some of these upscale professional business women have also become subscribers to such former business men's domain as *Money, Business Week, Fortune, Harvard Business Review* and *Wall Street Journal*.

Changing lifestyles and the food revolution have brought about enormous growth in cook books and magazines in what has been dubbed the epicurean field. Circulation of the four largest of these magazines are: *Bon Appetit*, 1.3 million; *Cuisine*, 750,000; *Gourmet*, 650,000; *Food & Wine*, 500,000. These magazines—particularly *Bon Appetit* and *Cuisine*—have achieved their large circulation with the aid of substantial direct mail and other response promotions. They offer a fine medium for mail-order promotions to segmented upscale audiences. The serious cook is a potential customer for a wide variety of products, from microwave ovens to food processors and gourmet cookware. An interest in good food may include a desire to travel to gourmet spots around the world. In addition, the food connoisseur may appreciate the best in everything—automobiles, liquor, jewelry, furniture, and objects d'art.

Mail Order Trends

In examining trends of mail order to consumers in recent years, it is necessary to look at the three legs of the triad of mail-order distribution of products and services.

In the past 15 years, the very rapid growth and expansion of specialty products and the slower growth of the Big Five (now big Four), and other general merchandisers in mail order, have reversed their roles in total annual sales; specialty products now account for about two-thirds of mail-order sales to consumers. Furthermore, in the past few years, the growth of consumer mail-order sales of services has been so rapid that it is now the second leading part of the triad.

During the recession and inflation of 1979-82 a slowdown occurred in mail-order sales, particularly in low-end gifts, crafts, collectibles, records, and, in some areas, of books and magazines. Mail-order firms with slow or limited growth during the recession were: Foster & Gallagher, Columbia House, Grolier and Time Life Books. An absolute decline involved Aldens and Sportpages.

However, during this recession period, a few firms continued their rapid growth: Avon Fashions, L.L. Bean, Garden Way, Hanover House, Rodale Press, Sharper Image, Lillian Vernon, and Early Winters. The most rapid product and service growth segments were consumer electronics, science items, sportswear, and financial services. The growth in services mail order is typified by mail-order selling of insurance, tickets to cultural and sports events, selling of subscriptions for cable TV service, membership in auto clubs.[6]

General Merchandising

Thomas J. Peters and Robert H. Waterman, in their best-selling book *In Search of Excellence*, state, "For years and years, Sears Roebuck thrived under the flag of quality at a decent price." It perceived a need to go upscale—and failed." They conclude their quotation from Gordon Weil, author of *Sears, Roebuck, USA*: "Imagine McDonald's introducing a sirloin steak, raising the price of its Big Mac and withdrawing its plain hamburger. That was Sears' growth strategy. In short, Sears was trying to do two things at once." In the past few years, in order to overcome the limited growth in its mail order sales, Sears has streamlined its customer database, put greater emphasis on its 'specialogs,' and focused its fashion merchandise more closely to the rapid lifestyle changes.

Robert E. Wood, II, Sears vice president advertising and sales, says "The future is specialty catalogs. The general catalog will become smaller and less distributed." The general catalog costs $4 to print and mail, but only 28 to 50 cents to mail its specialty catalogs. Among its specialty catalogs are back-to-school, cook ware, communications equipment, stitchery, ski wear, and gourmet kitchen accessories. While this trend is strong for general merchandisers, specialty catalogs are not always an unmixed blessing. Sears is considering discontinuing its western wear book and assimilating it into its farm-and-gardening catalog. "The bloom is off the rose of the western-wear fad," Mr. Wood remarked. Sears' (as well as Ward's) catalog sales average between 20 and 25 percent of their total merchandise sales.

"Montgomery Ward has been ignoring innovations for 25 years. An entire retailing revolution has passed them by," stated Samuel C. Johnson, a director of Mobil, Ward's parent company. Part of the cause during the years of recession and inflation, and even earlier in the 70s, was an attempt to undercut its merchandise and catalog competitors, which gave Ward a stigma for not selling quality goods. Added to that was the fact that 60 percent of the merchandise bought was on credit with easy-payment terms—which became a massive financial burden when interest rates soared. It is now striving to find a niche between K Mart, the nations largest discounter, and Sears.

An observation may be in order at this point. Over the past years, many large corporations have acquired mail-order companies, and some have set up mail-order companies from scratch. This has brought about a tendency among a few direct marketers to predict that small and medium mail-order companies will decline, if not, be submerged.

A contrary and sounder view is offered by Cecil Hoge, the encyclopedic mail-order historian. He believes that not only will the Fortune 500 companies not "take over" mail order, but that small- and medium-sized mail-order companies will continue to increase in number. He estimates that there are in the U.S. about 1,000 mail-order companies with annual sales of $5 million or over; 10,000 companies that do between $500,000 and $5 million, and between 40-50,000 that do less than $500,000. He believes that the entrepreneurial spirit is on the rise in mail order and not on the decline—and he adds that these mail-order companies are labor-intensive and job-producers in an era when structural mass unemployment is a critical national problem.

J C Penney

A huge red banner with bold block lettering is draped in front of its New York headquarters. It says simply: *Halston III, J C Penney.* With its $1 billion dollar effort behind one of the world's most celebrated fashion designers, the company has come a long way since it started as a tiny country store in Kemmerer, WY, 82 years ago. Outgoing chairman, Donald V. Seibert, speaking recently at the American Museum of Natural History in New York, where 1,000 VIP's viewed the new Halston III line, hailed the introduction of the collection as "one of the important events in Penney's history." It is interesting to note that one of the reasons Penney has upgraded its fashion offerings is because research showed, according to Duncan Muir, Penney's public relations program manager, "women were going to Penney's to buy their husband's and children's clothes and were going elsewhere to buy their own clothes." A major expenditure will be for upgrading its 600 largest suburban mall locations.

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[6] Based, to a considerable extent, on Arnold Fishman's superb second annual Mail Order Guide—1982 (summary) in *Direct Marketing Magazine*, August 1983.

The Halston III advertising campaign will be comprehensive and, according to Lou Bremer, manager, marketing communications, its initial target audience is "upscale modern women and housewives with incomes between $20,000 and $50,000 per year." A special emphasis will continue on catalog business which accounts for about 15 percent of total Penney sales, (including insurance and other services), and is growing faster than retail sales. It will continue to attempt to shed its low-priced middle America image while bolstering its recent sluggish sales. And a Halston dress or coat will cost as little as $200 rather than the $5,000 it can cost for an original.

The company plans to distribute, in the fall of 1983, 12 million catalogs with a 24-page section printed on top-grade stock describing Halston III. The section in magazine format will consist of eight two-page color spreads followed by explanatory copy. The Halston III "magazine" will also be distributed at the point-of-purchase in a fixture which will be part of all Penney/Halston III shops. The print campaign's circulation in 1983 reached an estimated 40 million people, with 5-page, 4-color ads in such fashion magazines as *Vogue*, *Mademoiselle*, *Glamour*, as well as 2-color spreads in *Redbook*, *Cosmopolitan*, *Good Housekeeping*, *Working Woman*, and *Essence*. Each Halston III "magazine" contained a black and white one-quarter page coupon ad for requesting a catalog. A television campaign designed to reinforce the print campaign was undertaken in 1983 over the three major networks. Overall, Penney put out 28 catalogs (most of them specialty catalogs) amounting to about 200 million pieces.

Spiegel, Inc.

Since becoming president of Spiegel Inc. in 1976, Henry A. Johnson, has undertaken an audacious and seemingly sound transformation of the company's catalog operation. During this time, Spiegel has ceased to be a price-oriented store of last resort, offering low-price merchandise to people who bought because they could get credit. The new value-oriented Spiegel replaced the old catalog—focusing on designer clothes (Bill Blass, Perry Ellis and others) and department store merchandise—aimed at working women from 25 to 54 years old with household incomes of $35,000 and up. Johnson realized earlier than most that the modern woman with discretionary income is a national phenomenon even in the small cities.

The key to the new philosophy was upgrading Spiegel's catalog and its image. The general catalog in the spring of 1982 had a glossy woman's fashion cover on one side and when flipped over, a glossy house furnishing cover on the other. This makes for easier customer shopping since the book is divided into two sections—"Fashion World" and "House World"—and ensures that an attractive cover is always showing. Another motive is the hope that this catalog is put on coffee tables as fashion magazines are.

In the successful strategic transformation of its operations and image, Spiegel adopted what it calls the four *R's: recognition* that the customer has changed; *research* to find customers that fit the profile; *reached* out with targeted specialty-type catalogs that offered specific merchandise; and *response* which led Spiegel to cut circulation drastically as its database was used to reach more targeted markets.

In 1983, Spiegel put out an estimated ten specialty catalogs. These include its first "Private Lives," photographed in Paris; "Ambience," its successful fur catalog, cookware, fine linens, apparel for larger women, and one devoted to Liz Claiborne fashions. An innovative new format for a catalog-update mailing was part of Spiegel's expanding merchandise media program. Spiegel mailed an attractive 4-color package on quality stock which included a 2-page computerized letter that notes the amount of the customer's credit line. The mailing describes the color fashions that are "in," and the ease of shopping at home, toll-free ordering, to-your-door delivery.

No specific merchandise is sold but Spiegel is building "top-of-the-mind" awareness. The results were successful. It is estimated that total sales for 1983 are over $500,000,000, a 20 percent increase from the profitable year of 1982. A factor in this growth is the effective use of its database and its careful targeting of specific markets, presently aiming at households with incomes of $35,000 and up. Two of the new catalogs mailed in the fall of 1983 were the premier edition of *Pierre Cardin* which features men's, women's and children's fashions by the designer, and *Wool*, which offers woolens for men and women. Spiegel plans to publish 20 to 25 specialty catalogs for 1984. Opening of a new state-of-the-art in-bound telephone center is expected to achieve a vast increase in telephone orders in 1984.

Neiman-Marcus Co.

Not even a short history could fail to take an extended look at the Neiman-Marcus mail-order odyssey. Its story, experience, ingenuity, integrity and enormous success hold lessons for all direct marketers.[7] The initial mention of mail order which came five months after the store opening ad in the Dallas Morning News, February, 2, 1908, states "Neiman Marcus will fill all mail orders with the utmost care. Garmets will be fitted on models in sizes ordered before sending, assuring satisfactory garments." Seven years later, on January 3, 1915 a full-page ad announced, "We will take special care to fill mail orders promptly during this sale." At the bottom of the paper was an additional reminder: "Take advantage of our telephone and mail service. Prompt delivery." The mail order arm had become a permanent part of the business.

During this time, occasional brochures and merchandise leaflets were issued; the earliest piece *extant* is a small brochure, five by six inches, with six pages of Christmas gift suggestions. Its cover announced "The Christmas Gifts from Neiman-Marcus. Co."

The earliest extant catalog is one for 1926, when the store issued a five-by-three inch booklet with 16 pages of

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[7] His & Hers—the Fantasy World of the Neiman-Marcus Catalogue, by Stanley Marcus. Viking Press, 1982.

Christmas gift suggestions. This small catalog established a philosophy that was to become the basis of future catalogs which continues to the present time. The catalog showed unusual articles, many of which were imported, in a wide variety of prices, with emphasis on selectivity and taste. It was the first effort by the company to establish itself as a pre-eminent gift store, with a desire to enhance its gifts with beautiful and excitingly gift-wrapped packages. Neiman-Marcus was testing in unknown waters, because direct mail was not in vogue for high fashions, expensive apparel and gifts. The large direct mailers like Sears and Ward's in the '20s were doing a thriving catalog business mainly in work clothes and hardware items.

The quality of the catalog in its paper and printing, typography and graphics, art and illustration, with covers designed by well-known artists, have all enhanced its image and prestige. (Such artists as Ben Shahn, Robert Indiana, André Francois and Searle were commissioned to design covers.) But, the eventual success of the catalog depended on the fashion and attractiveness of the merchandise. To this end, its merchandise buyers are sent into the worldwide markets to come back with at least 10 percent exclusive articles. Neiman-Marcus has 75 buyers and merchandise managers, covering the world markets, with 20 buying offices in the important world buying centers. Final decisions are made with care for the 400 or so items that presently appear in the book, after they have been double-checked for taste, fashion, and value.

Encouraged by the improving economy after the Great Depression, as well as by the beneficial effects of the Texas Centennial in 1936, the first large-size Christmas catalog was published in 1939. It measured 12" × 10½"," in two-color, with a gold cover and 13 merchandise pages displaying 256 items. By 1958, techniques of presentation had improved as to size, weight and colors, helpful for easy shopping. From then on, the catalog made news as well as sales and became a powerful selling tool—both to publicize the store and to add new customers to its mailing lists. The customers with frequency and continuity of purchases are placed on "a prime list." This prime list may, then, receive all 18 catalogs distributed annually—or, at least, those mailers containing the classification of items previously ordered. A $3 fee to non-charge account customers and others is made for the Christmas book.

In 1980 the format was changed to eleven inches square and had its largest distribution of over 1,250,000. It took 30 years to grow from the 50,000 distribution of 1950. The quantity for the 1983 Christmas catalog is well over 1,500,000. The impact of the changing socioeconomic milieu from 1926 through 1981 is seen in Stanley Marcus' comment: He says, "It's a tremendously interesting history of transition: from silk to Qiana, from wool to orlon, from the practical to the fantastical, from peace to war and back to peace, from prosperity to recession, from an emphasis on negligee for the boudoir to the related style of the patio, and from the spectator clothes to the active jogging outfits of today. In the pages of the catalog we see the effects of inflation, the changes in the economy, and the technological advances that brought forth all the electronic wonders of the day."

The credo that formed the basis for the success of Neiman-Marcus was laid down by the store's founder in 1907. "There is never a good *sale* for Neiman-Marcus unless it's a good *buy* for the customer." Stanley Marcus, the son of the founder, has commented, "My father was very convinced that you make money as a by-product of rendering a service. And he *wanted* to make money. But most businesses say 'Our objective is to make a profit,' and they forget that you have to do something to make that profit. Which objective comes first is very important. By being consistent, Neiman-Marcus has earned a position of respect, and, I think, affection."

Stanley Marcus knew how to take advantage of Dallas' growth in wealth and power. It has been said he was to merchandise what P.T. Barnum was to circuses. As Dallas became one of the country's top three showcases of design, the oil rich, who had been joined by the electronics rich, the real estate rich, the insurance rich, the defense contract rich, and their families and friends shopped at Neiman-Marcus.

The 1983 Fall/Christmas catalog features a three-quarter length coat of natural Russian lynx, by James Galanos, for $125,000. Through the years, the catalog has become famous for its extremely expensive "his and her" items for conspicuous consumers. Such items included Jaguars (his a car, hers a coat), a full-scale replica of Noah's ark, built to the biblical specifications, and other such items in the realm of fantasy and the whimsical. But in the realm of reality and practicality, there are items, as in the 1983 catalog, for $12, $15 and $16. The catalog has also endeavored to add some wit, without being corny, that would make people smile as they looked through it.

Along this long, successful, and winding road, mistakes have been made, from failure in the early years to include any kind of order-form or envelope, to the offer of a pair of baby ostriches (the latter offer was attacked by conservationists and bird lovers, and the complaints were reported in the Washington Post and the wire services). Stanley Marcus writes, "As a perfectionist, I look through every catalog with a searching eye; I am still living for the day when I will see a perfect Neiman-Marcus catalog with no mistakes of taste, judgement, or production of any kind. I doubt if I shall live that long."

Neiman-Marcus has another lesson for direct marketers. Over the past years it has received more favorable and priceless publicity than any other department store mail-order organization. Its biggest public relations coup, by far and away, was "The Store," the two-hour documentary on Neiman-Marcus that appeared on Public Television, nationwide, in December 1983.

It should be noted that Neiman-Marcus mails its Christmas catalog in beautiful wrapping to 2,000 VIP's in the electronic and print media. And, albeit in a more limited way, is it not possible for other companies in direct marketing to receive free publicity when they serve the good of the community or the consuming public?

The 1983 catalog is by far the biggest ever produced by Neiman-Marcus. In 1984, the Dallas-based company is planning a more aggressive use of catalogs in the hopes of increasing its mail-order business, in line with the greater competitive environment. It also plans to expand its customer base and is testing a number of outside lists.

The final word on the Neiman-Marcus odyssey belongs to Stanley Marcus, Chairman Emeritus, "The great secret of Neiman-Marcus merchandising over the years has been its ability to provide both the finest expensive goods in the world and merchandise of equally good taste but moderately priced. This is exactly the technique that we applied to the catalog, and we encountered the same success there as we had with the stores."

Bloomingdale's by Mail

Bloomingdale's desire for profitable sales growth along with its plans for national expansion were the driving force for its entry into direct marketing at the end of the '70s. Four key elements for entering the business were in place for this famous department store: a nationally recognized name and reputation; a uniqueness with merchandise that had a point of view and fashion authority in a wide spectrum of products; a substantial list of credit card customers; and the necessary capital funding and positive corporate attitude at Federated Department Stores (its parent company) toward direct marketing.

After an initial period of experimentation, the direct marketing operation grew rapidly (according to Barry Marchessault, President of Bloomingdale's by Mail) as a result of the introduction of the following policies in 1979 and 1980: All new charge accounts were added to the mailing list, along with the best responding cells of regular cardholders; select groups of upper scale buyers were tested from compatible outside lists; the American Express card was introduced; an 800 toll-free number was started; outside services were used for the rental and exchange of lists with merge/purge functions and data storage.

In the first two years, it was in the direct-response business; orders were being filled from store inventories. In January, 1981, the decision to separate the inventory was prompted by the desire to set up, under the aegis of Bloomingdale's by Mail, Inc., the catalog as "a branch store" and separate profit center. Two years later, the separation process was further developed when the fulfillment responsibilities were awarded to Marke-Teehs, a subsidiary of Stuart Maguire Co. Their operation included order processing, credit card processing, shipping and telephone operations, using Bloomingdale's own in-house 800 number to enhance the level of personal service.

The Bloomingdale's by Mail strategic objective is to select—for middle to upper income urbane customers—merchandise that has highly perceived value with fashion authority, some of which is unique, and to offer it for sale via specialty catalogs. An estimated 30 catalogs were produced in-house in 1983, mailed to selected portions of a house list of about one million plus testing outside lists, both rental and exchange. In order to achieve long-term growth objectives, a space advertising program was undertaken in 1983 in magazines and newspapers with national exposure.

In addition to building the charge file and outside lists and expanding its space advertising program, Bloomingdale's is fine-tuning its database to assure a strong foundation for continued growth and profitability. It is carrying out segmented markets without trying to be all things to all people. It is zeroing in with a merchandise offer which is constant with the purchase behavior of the target audience, making for high levels of responses and appreciable return on investment. It values the primary market customer and aims to attract similar type individuals into the mail-order process. Its 30 catalogs cover a wide range of product categories, from fashion apparel to house furnishings, housewares, gifts, domestics, furniture, food, intimate apparel, jewelry, cosmetics, children's wear—anchored by the widely distributed and highly successful Christmas catalog.

The catalogs that have, traditionally, shown high test response to mail-order buyers and outside lists are mailed under the Bloomingdale's by Mail umbrella. Catalogs that are designed for store traffic are mailed to their charge file—and are frequently tested to cells of mail order buyers, in order to measure their response as potential direct marketing vehicles. In its program to go national, both store-wise and mail order-wise, an interesting fact has emerged, namely that 60-70 percent of catalog customers are from areas without Bloomingdale stores; the catalog enables the company to cultivate customers before a store opens in a new market.

Bloomingdale's by Mail tries to bring by mail, to the present and potential Bloomingdale's customers, the shopping experience that makes it a unique store. This experience, as Barry Marchessault has said "can be summed up in three words: fun, unique and theatrical." Its merchandise offering is trend-setting with high perceived value and a broad selection.

All of this is directed at the lifestyles of the core customer group. The in-store promotions lend themselves to *thematic* approaches for the various catalogs. The annual country promotions add excitement to the Fall Home Furnishings and Christmas catalogs. On-location photography from China, Ireland, and France, along with the unique products from these countries, bring to the catalog shopper the Bloomingdale's experience in the mail. Fun group vacations and fun products seem to be what the customer wants. Bloomingdale's endeavors to create a dramatic mood; its catalogs are innovative in layout, design, and photography and strive for excellence in state-of-the-art catalog creativity.

Bloomingdale's success to-date in its direct marketing, and the potential for profitability and growth in the future, rests on the following ingredients:

- A uniqueness with merchandise that has a point of view
- A financial commitment to the business
- Separate fulfillment with key customer service elements in place
- A customer acquisition approach that employs traditional methods along with new tested approaches
- An organizational structure that allows for a good symbiotic relationship with their store
- A sophisticated database that is segmenting customer preferences and a mailing strategy that compliments this segmentation
- State-of-the-art employment of the graphic arts to enhance the merchandise offering

Few department stores have the unique ingredients for success of a Neiman-Marcus or Bloomingdale's, but the fact is most department stores have the basic elements for a successful mail-order operation that can be quite profitable. That is why many stores are expanding their mail-order activities, while others are rapidly entering the field of mail order. A caveat is in order here because some retail merchants are slow to recognize the specific differences between a retail store and a catalog operation.

An Horatio Alger Heroine

The Lillian Vernon Corporation is one of the largest and most successful specialty catalog firms in the United States. It was founded by Lillian Vernon Katz in 1951 in an ad with a single offer of a monogrammed purse and belt. Thirty-three years later in 1983, it anticipates sales of over $100 million, will mail about 55 million catalogs in seven separate editions. The company has a list of 1.8 million active buyers accumulated within the last 12 months and a total of 3.6 million buyers in the last 24 months.

The basis for the success of this mail order company is that it specializes in products for women which help solve problems in running a comfortable home, and in elegant giftgiving. It lies in Mrs. Katz's exceptional talent for merchandising, and in selectivity, pricing, and photographing 3,000 items offered each year. Two-thirds of these products are imported, and many are customized and exclusive to Lillian Vernon. Thirty percent are personalized. They are offered at affordable prices. The indomitable Mrs. Katz travels 16 weeks a year searching for unique items, while her buyers are on the lookout for new products, scouring international trade-shows and foreign design markets. Products that solve problems are particularly favored—space organizers; entertaining aids; fuel savers; new gourmet tools.

The catalog is very much for a woman by a woman. Mrs. Katz says, "When I go out to buy, I look for things that will make life easier, more fun, a little more comfortable. I'm a woman, I give gifts, I run a house, I have parties . . . so I know the gifts women like to receive."

A special touch marks the 152 page, four-color digest-sized catalog mailed to 15 million customers and prospects. This is the 1983 Christmas catalog that displays a toy panda on the cover. The company will donate $1 to the World Wildlife Fund for every $15.98 panda sold. A special wrap-around cover calling special attention to the Wildlife donation is planned for separate mailing to the Fund's 100,000 active members. It is expected that tens of thousands of dollars will be raised for the Fund.

With such dedication and entrepreneurship, the company expects to ship 2.8 million orders in 1983 from automated facilities at three sites in Westchester County, New York.

Back to Texas Once More (Horchow Collection)

While he was part of the Neiman-Marcus Mail Order organization, Roger Horchow observed items that appeared to sell better in the catalog than in the retail store and vice-versa. He believed that a single purpose company, concentrating its efforts in one area, could be successful. He founded the Horchow Collection in Dallas in 1971, and, twelve years later, he had built a house list of a million and a half names, of whom 650-700,000 are active customers. The profile of the average customer is female, 48 years old, income of $50,000. She wants unique items. She has time to shop for them, but prefers the convenience of mail order. The catalog is characterized by a clearness of line and a format understatement which exude a quiet luxury and fine quality. A delicate enamel-on-copper desk set, for example, is listed for $350. However 30 percent of the merchandise in any one catalog is less than $30.00. Horchow tracks information on customer buying and has used this to produce three new special catalogs in 1982 for "Fine Linens," "Practicalities (practical items)," and "Another Perspective."

In 1983, Horchow plans to make a special offering only to their best customers. The problem is to refine the offering and still get a list big enough to offset the high cost of producing the catalog. It plans to continue its Horchow VIP Registered memberships at a $10 annual fee, with savings off initial charge and other membership benefits. This includes a two-color, eight page, bi-monthly newsletter, which previews catalog items with illustrations and discusses the superiority and practicality of specific luxury products and services. Other membership benefits are free gift-wrapping services and a personal shopper (by name) when members order on the toll-free line.

Mail-Order Entrepreneurship—Hanover House

Hanover House started in 1934 as a single retail dress shop in Hanover, Pennsylvania. The idea was to sell middle- to low-price goods in a bargain atmosphere. Over the next 10 years, the chain expanded to about two dozen stores in Pennsylvania and Maryland. Newspaper advertising to promote retail merchandise led naturally into mail-order advertising. By 1946, mail-order sales were far in excess of retail volume. The next logical expansion was to start a catalog. This happened in 1950 when "Lana Lobell" was mailed for the first time to space media buyers. The catalog was an instant success, and it expanded rapidly during the 1950s.

In 1962, a second catalog was launched, "Hanover House." This catalog, a collection of household gadgets and novelty items, also proved to be highly profitable. At the time, it was a major diversification for the company, since almost all of its prior expansion had been centered in women's fashions. In 1968, the company entered the garden nursery field with the purchase of Lakeland Nurseries. In 1972, the first step was taken in the high ticket market with the development of the Adam York catalog.

The company took a new direction when Harold Schwartz was promoted to President in 1977. The retail stores which had given birth to Hanover House were closed, since they were no longer profitable. The company had sales of about $30,000,000, was operating at about break-even, and was mailing four different catalogs—Lana Lobell, Hanover House, Lakeland Nurseries and Adam York. Total catalog circulation was thirty million per year. Management sensed that Hanover House's future strength would rest on two pillars; further diversification to assure that overhead levels would not stifle the growth of individual catalog divisions, and further expansion in the high ticket market, to assure that inflationary pressures could be offset by higher revenue.

This twin philosophy resulted in the addition of 22 new catalog divisions over the following six years. These divisions include: Old Village Shop—medium-priced household items, gifts, fashions; Pennsylvania Station—higher-ticket fashions, gifts; New Hampton Americana, cookware, collectibles; Hall of Hanover—high-ticket fashion and gifts; Fashion Galaxy—lower-price fashions; Premiere Editions—fashions for the career woman; Chelsea Collection—chic higher-priced fashion and shoes; Tapestry—decorator items, furniture, domestics; Mature Wisdom—special items for senior citizens; Rainbow Gifts—medium-ticket novelty and household items; Synchronics—state-of-the-art electronics; Imprints—high-ticket shoes; Cosmopedic Shoes—low-ticket shoes; Luxe—a collection of the finest from around the world; Flagstone—men's footwear; Night 'N Day Intimates—intimate apparel; and Hanover Collection (mini-catalog). The creation of these mini-catalogs in the millions in 1983 is a new departure. These 16-page catalogs are being used in cooperative mail and direct response, in package inserts, and outgoing Hanover House packages. Two editions have been published: a modest priced catalog and a woman's fashion catalog.

The 22 catalog divisions, which the company now operates, mailed 200 million books in 1983, and have a total customer mailing list of about 10,000,000 names. Sales for 1983 were $215,000,000.

At the same time that the company expanded its catalog division, it also became a major space media advertiser. The catalogs functioned both as profit makers and sources of product information for space media. The space media, in turn, acted as a source of profit and had the additional benefit of supplying customer names who could subsequently be promoted with the company's various catalogs. The strategy of diversification, combined with a sense of entrepreneurship, permeated not only the marketing segment of the organization, but also the operations, financial, and computer segments as well.

The company's strategy now encompasses a sophisticated database which enables it to be selective in promotions to its customers and also aids in developing special knowledge of customer's needs. One of the reasons the company has been able to implement its multi-division strategy has been its ability to segment customers based on product choice. For example, *Synchronics*, an electronics catalog, was started by segmenting customers who purchased electronic items in one or more of the other divisions.

Looking ahead to 1984, the company plans to continue with the expansion of several new catalogs encompassing fashion, hard goods and giftware items. It not only expects to expand traditional catalog markets but, also, to be getting more involved with direct mail, syndication, and telemarketing—and, coming back full circle to where it began, the company plans to get started again in retail! The management of Hanover House believes it has not approached saturation in either existing divisions or in other markets which it considers to be emergent.

If there is a lesson to be learned from the success of Hanover House during Harold Schwartz' presidency, it is in its vigorous entrepreneurial spirit and masterful use of its database for segmenting the market—as well as its vigorous effort to upgrade its fulfillment and customer service operations.

The Sharper Image

Richard Thalheimer is another Horatio Alger success story, parlaying a $100 mail-order ad into a $60-million catalog business in just six years. The first "The Sharper Image" catalog exhibited his special talent for selling fascinating, and sometimes obscure, products with lively, intelligent, and informative copy. The catalog featured suits of 15th century armor at $2,450, space age cross bars at $400, and handcrafted knives and electronic games and gadgets in the $50 to $250 range. The catalog took off like a rocket, and its burgeoning sales in 1982 lifted it to the 15th position among *Inc.* magazine's list of the 500 fastest-growing private companies in America. Its sales in 1983 are expected to reach about $60 million.

In 1982, with a catalog circulation of over 20 million, Thalheimer broadened his horizon of the company and launched the first segment of "The Living Catalog" on cable TV in the San Francisco Bay area. The cable show has evolved, in the past 18 months, into a fast-paced, quick-changing presentation of fewer products set in actual use—often in remote location settings, with live demonstrations. Original music computer animation, a high graphic style, a custom logo, and different sets and scenery have been added in the show's evolution, which reaches into 600 cable communities. Mr. Thalheimer defines the nature of "The Living Catalog" show as follows: "Ours is a home shopping show. It's not just a compendium of direct response commercials . . . ours is the only show I know of produced by one direct-response company that's totally devoted to selling products and providing a half hour of entertainment." Their goal is to increase annual sales on cable TV in the next few years, while continuing to experiment and test new formats.

In 1982, Sharper Image spent $500,000 in space advertising in such periodicals as *Inc., Sailing, Sports Illustrated, New York Times Magazine, Wall Street Journal*, and numerous in-flight magazines. These ads were aimed at the affluent buyer—80 percent male, between the ages of 27 and 55, with a median income of more than $35,000. The key to success at "The Sharper Image" is Richard Thalheimer's uncanny knack for anticipating trends and capitalizing on the penchant many executives have for buying expensive gadgetry or "adult toys."

There is a large body of consumers who are quick to buy the latest thing. These people have been called "early adapters," "innovators," "buffs," and "conspicuous consumers." An item that some experts expect to become "the appliance of the '80s" is the home computer, which in 1983 could already be found in 5 percent of the nation's 84 million households. Informative and effective marketing are the keys to this very rapid growth. At the same time, the company is expanding its mail order operation to a focus on offering products to women, somewhat similar to its men's product level, but of particular interest to women. The total distribution of all catalogs is estimated at 50 million in 1983.

Edmund Scientific Company

One of the recurring themes of the history of mail order, which expresses itself in a number of ways, is the Horatio Alger story of success. This is particularly true of Edmund Scientific Company, founded in 1942 by Norman W. Edmund, from a cardtable desk in a bedroom. Today, the company has expanded to a building occupying 78,000 square feet, including the most recent addition, a facility for optical design and telescope production. Norman W. Edmund was an amateur photographer who needed a special lens. After locating ten of them, he placed a $9 magazine classified ad to sell the other nine. That's how it all started.

In 1951, the company's name was changed from Edmund Salvage to its present name. The steady growth and success of the company is seen in the distribution in 1983 of eight million catalogs, with estimated sales of over $13 million. In addition to its basic catalog to consumers under the name of Edmund Scientific, the company issues a catalog for industry and for education; and the Robert Edmund Catalog, featuring products for health, fitness and better living, which was first published in March 1982, and is geared toward the interests of a wide selection of consumers. A new book focused toward women, published in late 1983, is the Gwynne Edmund Catalog.

Seventy percent of its business is in the consumer area and 30 percent in business and industrial. The company offers 4,000 science-related items in its catalogs. This includes: telescopes (and the popular Astroscan 2001 fiber-optics telescope), products in alternate energy, photography, biofeedback, weather monitoring and lab equipment, microscopes, tools and educational kits for pre-school children, and science fun. Prices range from a few dollars to $2,000-$3,000 for larger telescopes and equipment. The average customer is said to be "a hobbyist with a strong engineering aptitude, a person seeking knowledge, a tinkerer." The innovativeness and quality of its products have enabled it to broaden the base of its market to consumers, industry, schools, and retailers. Among its customers are science fiction writers, Isaac Asimov and Arthur C. Clarke, and such companies as J C Penney, Montgomery Ward, Neiman-Marcus, and others.

Since his election to president of the company, Robert Edmund, son of the founder, has further expanded the laboratory, engineering, manufacturing, marketing, and fulfillment facilities of the company. Its reputation as a science-related mail-order company of high standards has been advanced. Among the many accomplishments are Edmund's Barlow lens which went to the moon on the Apollo lunar flights. Without that lens, the spectacular television coverage would not have been possible. And Edmund's Mini-Moon, because of its authenticity, was cast in aluminum, placed on a plaque in relief bronze, and presented to the astronaut corps at the White House. Edmund Scientific has earned a reputation as an innovator, a sound researcher, and ready source for science-related products. It is expected to conduct an experiment in space on an upcoming NASA Space Shuttle Flight.

This family-run business remains a haven for countless amateur astronomers. Its one retail store at company headquarters is a place for day trips for local schools and family groups. The store offers free multi-media shows daily in its theatre as well as lectures, astronomy mini-courses and product demonstrations. The company sponsors the Norman W. Edmund Astronomy Award which recognizes the outstanding contributions of the hundreds of amateur astronomy groups.

Editorial Matter in Catalogs

An increasing trend in specialty catalogs is the inclusion of editorial matter that reflects the lifestyle of the customer, while promoting the merchandise. This is seen in the Shopsmith hardware catalog which includes introductory copy for every section. "We are committed to customers' education on which tools to use and how to use them," says a company executive. Shopsmith (Vandalia, Ohio) has a customer list of 3 million and publishes three catalogs a year. Williams-Sonoma of San Francisco is another fine example of the use of editorial and informational material. The personal stamp of founder Chuck Williams is present throughout the catalog, featuring gourmet cooking items, primarily for serious cooks. It appeals to the broad, upper-middle class market. Recipes appear everywhere, with Mr. Williams involved in setting off the gustatory delights. He tests and sometimes creates the recipes that accompany some orders. Mr. Williams started in the 1950s by stocking a few cooking utensils in his hardware store. Sales in fiscal '83 were in the range of $35 million. The company is expected to have 17 retail outlets operating by the end of 1983.

A Major Corporation Enters Mail-Order Field—Avon Fashions

Avon Fashions was started as Avon Family Fashions in 1973 by Avon Products. It has become one of the few success stories of a mail-order company starting from scratch by a large corporation. It grew to a sales level of $36,000,000 in 1978, and to $124,000,000 in 1982. In that year, Avon Fashions had an operating profit of $18,000,000. In 1983, the company had eight catalogs ranging in size from 48 pages to 84 pages with a total circulation in excess of 70 million copies. Strong sales and operating profit growth are expected in 1983.

Success didn't come quickly or easily. In its first few years, Avon Fashions was making mistakes as it was experimenting and losing money. Fortunately, senior management of Avon Products stuck with the mail-order company confident that the concept was right. It took only eight years for the concept to turn into the fifth largest mail-order woman's clothing company in the U.S., joining such bulwarks as Sears and J C Penney. 1978 was the turn-around year, and, in the five years since then, Avon Fashions has grown 162 percent.

The two main reasons for this success have been the accurate targeting of customers and an improved product line. The typical Avon Fashions customer is a young, working woman with a moderate household income. She's between 18 and 34 years. Furthermore, careful research has shown that she may be a nurse, bank teller, a teacher, a secretary, or a student. She wants up-to-date styles that are affordable and of good quality. The company is addressing this market specifically. It signaled this special attention by changing its name from Family Fashions and has made considerable strides in improving its product line and appeal. It, also, has overcome some of the errors in the first years. Now, the styling, construction, fabric, and detailing of their apparel match those of brand names. Customers revealed in a survey that they preferred to shop the Avon label, because they knew they were getting good prices and quality combined. The Avon guarantee also helps. "You can return the product anytime, anyplace."

The Avon Fashions Catalog sells clothing ranging from $8 to $55. Product lines consist of sportswear (jeans, pants, tops, coordinates), dresses, swimwear, accessories (shoes, belts), lingerie, and outerwear. The biggest line, dresses, contributes 17 percent to sales. One dress, in particular, brought in three million dollars in sales. It is the single most successful dress Avon Fashions has offered, selling 180,000 of this particular $9 knit sports dress.

To constantly expand its customer base, the company rents names of mail order buyers that fit its target market. It buys other names of professionals, such as teachers and secretaries. Another way of adding prospective customers involves the use of extra catalogs or bouncebacks, that accompany customers' orders. "Give one to a friend," Avon Fashions suggests. Not everyone of the more than five million customers get all the catalogs issued. Those go only to the most active customers who number over 3.5 million. A separate facility in Newport News, Virginia processes these orders, ships them out, and keeps inventory control. Data processing and finance departments are also located there.

The direct mail division of Avon Products consists not only of Avon Fashions but *James River Traders*, an upscale men's ready-to-wear catalog; Avon Fashions—United Kingdom, which is the expansion of the U.S. company into international markets; a new children's wear catalog that will mail in early 1984; and Great American Magazines, Inc., a magazine subscription selling company. The direct-mail division plans to continue to expand not only through the aggressive growth of the above mentioned companies, but also with additional start-ups and acquisitions.

More Apparel Mail Order

Lew Magram Fashions

Lew Magram started his business in 1949 as a counter in a store in New York's theatre district, selling high-fashion shirts. When the store next door became vacant, he moved in, and gradually his shirts attracted many personalities, in the theatre, movies, television, and sport's world, as well as a host of Damon Runyon types. In 1959, the company issued its first sales pieces . . . its first catalog appeared in 1964. Lew Magram's "Shirtmaker To The Stars" catalog was well received, and the company prospered until 1979. Its line of mainly high-fashion men's apparel also included suits, sport jackets, and a fairly wide selection of other apparel and accessories. Its growth was aided by a campaign of small ads in a number of selected magazines, including *Esquire, Gentlemans Quarterly*, and *Playboy*.

In 1971, son Erv joined the business and, at the end of the '70s, daughter Melanie came aboard. In 1982, Erv became president as founder Lew stepped down from active, full leadership of the company. The decline in sales for high fashion men's clothing at the end of the '70s led the company, now known as Lew Magram Fashions, to test some women's apparel items for their Spring 1981 catalog. This proved highly successful, and today 75 percent of the catalog consists of women's apparel. The average order is over $100, a substantial improvement over past years, and total sales are moving toward ten million dollars. Five million catalogs were mailed in 1983, and plans are underway to test new space ads, as well as outside lists to enlarge its customer base.

Van Heusen

Van Heusen Corporate Markets Co., a division of the Van Heusen Company, the well known shirt and apparel manufacturer, was responsible for all special markets except retail. This included premiums, incentives, and career apparel, and, as of 1980, mail order. It began with ads for its aviator shirt in the *New York Times, The Wall Street Journal, The New Yorker*, and *Flying Magazine*. This first effort was immediately profitable, and, contrary to many mail order start-ups, continued to be steadily profitable in its first years. In 1981, the company continued its space ads while making its first direct-mail effort with a multi-fold brochure promoting a dozen shirts, including the safari shirt.

These efforts were also successful. Its first catalog, produced in 1982 under the name of "Baker Street Collection," was 16 pages, digest size. It included not only men's shirts, but also some ladies' shirts. In 1983, it expanded into a 32-page catalog, with additional ladies' shirts, plus gifts and accessories such as ties, gloves, scarves, and jewelry. Three million catalogs were distributed that year. Based on considerable market research, it plans a large size catalog 9½" × 11" in early 1984, which will add blazers, slacks, and sweaters for men and women. It expects to sustain its steady growth and profitability while increasing its customer base. The parent company and its mail-order division have come a long way, since its founder, Moses Phillips, started soliciting orders at the coal mine in Pottsville, Pennsylvania in 1857, while his wife made the shirts at home for the coal miners.

Too Many Mail-Order Apparel Catalogs?

We are witnessing a ceaseless proliferation of companies that are expanding the number of catalogs in the field of men's and/or women's wear, as well as new companies entering this product area. The volume of catalog mail in this sector seems to be increasing exponentially. This is true of the specialty catalogs, department and specialty retail store catalogs, and, to a certain extent, among the Big Four merchandisers. It is, also, illustrated by New Process, the giant apparel firm, with $250,000,000 in annual sales, mainly using solo direct mail. In 1983, the company published its first full-scale catalog of 68 pages, offering a standard line of apparel, bath accessories, drapery, and home decor lines.

The question arises: is there a glut in mail-order apparel? Is the market expanding fast enough to match the rate of catalog proliferation? Only time will tell. In the interim, those companies that use their database effectively and efficiently, to carve out a market niche of satisfied customers, will have the inside track.

Gourmet and Gift-Food by Mail

The mail-order gourmet and gift food market continues to operate on both the consumer and business front. It is estimated that as many as 500 different food products are available by mail.

To name a few of these gourmet and gift food products: for cooks, there are herbs, balsamic vinegar, olive oil, sun-dried tomatoes, fresh pasta; from the sea, there are smoked salmon, seafood. There are a variety of cheeses and snacks, sweets, and baked goods, and breakfast items. Thanks to speedy package delivery services now available, plus new ways to keep perishable foods from spoiling, it is possible to have the sweet, succulent lobsters caught off the Maine coast on Monday in Texas on Tuesday; creamy, old-fashioned New York-style cheesecake in California overnight, or fresh basil from Michigan all winter long.

Omaha Steaks International, Figi, Harry and David, Pfaelzer, Swiss Colony, to name a few, are not only developing new products with more effective and dramatic packagings; they are increasingly using sound forms of synergism in their media approach.

Omaha Steaks International

Omaha Steaks International is an example of this trend. This involves the greater use of telemarketing in their operation, in such a way that the telephone is positioned and integrated into a comprehensive marketing plan backed by top management. The telephone supports direct-mail promotions through outwats and inwats: space programs through inwats and lead follow-up programs through outwats. In this way, a synergism between mail and phone develops in reaching its customers. Mailings reach active customers every eight to ten weeks. Meanwhile, a steady cycle of outwats calls keeps the company in touch with these customers on a more personal basis. The primary advantage of the telephone in concert with mail is that it enables Omaha Steaks to sell more products to their existing customers. Finally, telemarketing makes it feasible to test new products, to offer a more diverse line of products, to upgrade the size of orders, to offer special products, and to vastly speedup the ordering-to-fulfillment cycle. In this connection *Telemarketing Magazine*, September 1983, states, "the direct marketing trend today is direct mail with telephone follow-up. Most direct mail is timed to supplement mass media advertising—radio, TV, magazine—and is designed to get a direct response from a carefully selected consumer market." The first brochure mailing by Omaha Steaks was in 1952. In fiscal 1983, sales were $27 million.

Thomas J. Lipton, Inc.

A recent addition to the gourmet food mail order field for gifts and for personal use is Thomas J. Lipton, Inc. (a division of Unilever, Inc.). After considerable focus and other research during 1981, the company launched a "dummy" catalog in early 1982 of specialty tea items, which was sent to three cells of 50 families. The results were auspicious, and, during the Fall of that year, a test mailing was made of over 250,000, 16-page, 4-color catalogs. About the same time, test space ads were placed in such magazines as *Ladies Home Journal, New Yorker, Vogue* and *Gourmet*. These tests were encouraging. In the Spring of 1983, space ads were continued and proved to be successful. The target market was upscale consumers with an interest in true gourmet foods and products.

In the Fall of 1983, one million copies of the Thomas Lipton Collection were printed, 32 pages, 4-color, digest size. In addition to specialty teas, both bag and leaf, there were foods that are associated with tea drinking, such as fruit cake, shortbread, pure fruit preserves, and honey. Also offered were tea accessories such as bone china cups, copper tea pots, and sterling silver tea services. All the fine and rare teas are collected and packaged by Lipton. The other products are supplied by outside manufacturers. The catalog contains recipes for scones, tea sandwiches, and brewing instructions.

While the Lipton catalog has one foot firmly placed in the traditions of the past, its auspicious start-up has encouraged the company to roll out a few million catalogs in 1984. It hopes to follow the success of other larger companies, in which mail order has become a significant part of the corporate management structure.

Catalog Request Ads

During the past years, there has been an increased diversity in the use of mail-order advertising. This was true particularly in the area of mini- and regular-catalog inserts in magazines, as well as "classified" catalog request ads in periodicals. One example is the 88 page ad agreement between Waldenbooks and *Newsweek* in 1983. This the largest single contract of its type in *Newsweek* history, amounting to $3,000,000. The agreement calls for six multi-page mini-catalog inserts from eight to 37 pages between August 1983 and January 1984. The 37 page insert appeared in the November issue, at the peak of the holiday season. All the catalogs have toll-free numbers, and some will have order forms. Advertising costs are paid, in part, by participating publishers. The nation-wide book chain will also mail these catalogs to in-house mail order buyers, and approximately 1.4 million copies will be distributed in the chain's 820 stores in all 50 states.

Similar type campaigns were run in *Newsweek* in 1982 and in *Time* in 1981. In early 1983, an 11-page catalog was run in *The Economist*. The campaigns had a positive and lasting effect on boosting retail and mail-order sales. They also helped to build a customer list.

The company is engaged in a number of other direct-mail projects including Prepublication Club and other books clubs, as well as promotion of its education and motivation tapes.

The November 21, 1983 issue of *People* included a 40 page catalog insert from B. Dalton Booksellers, the nationwide bookstore chain, called "Hooked on Books." This is the centerpiece of Dalton's Christmas advertising campaign. It is the largest single issue ad in the magazine's nine-year history. It is reported to be the largest insert in a single issue of a consumer magazine. The ad will promote 180 books, six books to a page. Cost to participating publishers is $8,595 for one-sixth of a page. An 800 phone number is included in the ad.

The company with its 700 stores, primarily in shopping malls, uses a variety of other direct-response techniques. Dalton mails a booklet containing various discount offers, premiums, and a sweepstakes program. This is carefully done for loss-leader books. Tear-offs are also used which are only redeemable in-store. Dalton runs ads in newspapers with a wide reach, and occasionally does off-price promotions to bring in new customers. Dalton placed a 20 page computer catalog in *Scientific American* and a four-page mini-catalog in *Softalk* magazine—all with 800 toll-free numbers.

During 1983 a Women's Fashion Cooperative Catalog Program appeared as a full page spread in *Vogue, Glamour, Harper's Bazaar, Cosmopolitan*, and *Mademoiselle*, converting inquiries ($1 to $5 for a catalog) to orders of four percent. Catalogers included Neiman-Marcus, Bloomingdale's, Bergdorf Goodman, Spiegels, Garfinckel's, I. Magnin, Royal Silk, and others. Later editions went to a two-page spread appearing in *Smithsonian, Esquire* and the *New York Times.* This program—*Catalog USA*—was introduced by Fairfax, Inc., a subsidiary of Compton Advertising.

The catalog request field expanded considerably during 1983 in space advertising. The Fall of 1983 found few magazines that weren't starting a new section or enlarging an old one in preparation for the Christmas gift-buying season. These include such periodicals as the *New York Times* Sunday Magazine Section, *Penthouse, Omni, Country Living* and *Architectural Digest*, with new sections, and *Time, Newsweek, Town and Country, The Wall Street Journal, The Atlantic Monthly, Working Woman, Ms.*, and *New York*, all of which have had sections previously.

Spiegel spent an estimated $50,000 on these insertions in the Fall of 1983. Catalog executives, generally, report the sections are highly visible, and the appeal associated with the magazine tends to rub off on the catalog. One of the longest running catalog sections is the *Better Homes and Gardens* section, which began in 1973. What distinguishes this page-spread is that it is in color, it is for free, and requests go directly to the catalog companies whose addresses are listed in the ads. In the past year, *Better Homes and Gardens* added a new specialty catalog page titled, "America's Finest Store Catalogs." Among the advertisers were Neiman-Marcus and Marshall Field.

It is obvious that there is no uniformity of techniques or results in the catalog request field. The jury is still out on the conversion rate and the back-end results. But there is already sufficient evidence to indicate that selection of the proper magazine, the compatibility of the other advertising, and reasonable cost factors auger well for the future growth of catalog inserts as well as catalog sections. These are sometimes called catalog samplers, catalog directories, catalog requests, and, even, catalog of catalogs.

Proliferation of Markets— 1940s–1970s

The steady proliferation of markets during the three decades that followed World War II was paralleled by the enhanced ability of the computer to zero in on particular groups of consumers, who were seeking products that met their specific expectations and interests. This accounts for the enormous growth in the variety and quantity of specialized catalogs (as well as, for that matter, special interest magazines and the emerging "narrowcasting"). Even during the inflationary and uncertain economy of 1979-1980, numerous, well-managed specialty catalogs were expanding over virtually the whole gamut of products and services (except for some low-end products), while the rate of growth of Sears, Ward, and Penney had slowed down.

From Horchow's exquisite gifts, housewares, and fashions and Lillian Vernon's personalized home items and accessories (some as low as $5 and $10), to Eddie Bauer's outdoor sportswear and equipment and Yield House's Colonial pine furniture, to the growth of Garden Way's sales of garden equipment and supplies, literally thousands of specific and segmented consumer-markets were responding to mail-order appeals. New companies were entering the mail-order field, and the range of products in style, price and country of origin was growing. For a lover of African violets or Swiss music boxes, a large-sized man or woman seeking proper apparel, a devotee of collectibles or gourmet food, for the inlaid Serbian chess sets and Portuguese Madeira—all were easily available via mail order.

So were medium- and high-priced items from the Metropolitan Museum of Art and from Lincoln Center, from Bloomingdale's Chinese collection to Gucci watches and Sony stereos, each from American Express, to Neiman-Marcus' His and Her gifts and Sakowitz' Ultimate Gifts. In a short period Franklin Mint's deluxe edition of "The World's 100 Greatest Books" had over $100,000,000 in front-end sales by direct mail. By the end of the '70s, a wide variety of miniaturized electronic, space age, and new technology items and accessories were available via arm-chair shopping. In March 1976, *Apartment Life* Magazine displayed in a special section how an entire apartment of 100 pieces of furniture, furnishings, housewares, and appliances could be supplied entirely via mail order.

Consumer Attitudes

Consumers Union has made a comprehensive and objective survey of mail-order buying. The results of this survey are reported in its magazine, *Consumer Reports,* October 1983. After a brief review of the changing technological and sociological factors that have influenced and expanded mail order buying, the report states: "Technology hasn't solved some of the basic problems of buying by mail. The transaction made at a distance is inherently riskier than the transaction conducted in person. You're buying something that you haven't seen or touched, and then you have to wait for it to arrive. Will it be what you thought it would be from the catalog description? Will it get to you on time, or at all? If it doesn't fit or doesn't suit, will you get a refund or replacement promptly?

"Those were some of the problems we probed in the survey on mail-order buying that was included in our

1982 Annual Questionnaire. Nearly 100,000 subscribers told us about some 170,000 recent experiences with more than 40 of the leading mail-order companies.

"In general, the readers who responded to our survey were quite happy with shopping by mail. They said they were satisfied or very satisfied with about 90 percent of their mail-order purchases. That's not terribly surprising—after all, a mail-order company that doesn't satisfy most of its customers won't stay in business very long. In fact, two companies that received poor marks from our readers have since gone out of business.

"An analysis of the responses, however, revealed that some companies satisfied our survey respondents far more than others. Generally, the companies that were most satisfactory delivered quickly, sent no surprises, and created the fewest problems for buyers.

"The companies that earned our top rating received a 'very satisfied' vote from more than 70 percent of readers ordering from them. In this group were Eddie Bauer, L.L. Bean, and Brookstone, among others. By comparison, only 44 percent or less of those ordering from the worst-rated companies said they were that happy, although most of the remaining buyers said they were 'satisfied.' " Exhibits 1-1 and 1-2 present findings on some specific consumer attitudes to mail order.

Exhibit 1-1
Types and Frequency of Mail Order Problems

Problem	**Percentage**[1]
Late delivery	48%
Wrong item delivered	22
Item broken or damaged	19
Billing problem	15
Item missing without notice	14
Difficulty returning merchandise	10

[1]Total is more than 100% because more than one problem could be checked.

Source: © 1983 by Consumers Union of the United States, Inc., Mount Vernon, NY 10553. Reproduced by permission from *Consumer Reports*, October 1983.

Exhibit 1-2
Advantages & Disadvantages of Mail-Order Shopping

What is the Main Reason You Buy from These Companies?

Reason	**Percentage**
Merchandise not available elsewhere	32%
Convenience	31
High-quality merchandise	19
Low prices	14
Good return policy	3

What is the Major Disadvantage of Mail-Order Buying?

Disadvantage	**Percentage**
Can't see merchandise in advance	60%
Have to wait for merchandise	13
Postage and handling costs	13
Difficult to return merchandise	9
Difficult to comparison shop	5

Source: © 1983 by Consumers Union of the United States, Inc., Mount Vernon, NY 10553. Reproduced by permission from *Consumer Reports*, October 1983.

Dreams That Money Can Buy

Undoubtedly, catalogs contain the dreams that money can buy, treasuries of hopes, and wishes. Mail-order buyers run the entire gamut of the population, including farmers, small town and urban folk, blue collar, and white collar workers, professional and middle class men and women, young people and senior citizens, as well as small, medium, and big business. Mail order buyers comprise a roster of America's Who's Who in every field of endeavor. This includes, for example, Burt Reynolds, the self-styled "catalog buff of the world," Liza Minelli and Natalie Cole, Robert Redford and the late John Wayne, the Kennedys, the Rockefellers and the late Hubert Humphrey, Nancy Reagan, and the late Princess Grace, Malcolm Forbes, Gloria Steinem and Julia Child.

An article in *Ms.* magazine May 1982, sums up "The Joys of Shopping by Mail." "Whether you're assembling a utilitarian work wardrobe, bringing some excitement to your one-horse town, or sampling the sybaritic delights only money can buy, when you shop by mail, the world is your oyster, and the store opens and closes strictly at your convenience." Another article in *Spring* magazine (which ceased publication at the end of 1983), entitled "Mail-order Mystique" sagely concludes: "All the stuff in all the catalogs cannot bring you happiness, of course. But the best catalogs fit their select audiences just as right and as intimately as a key fits its lock, and, for a moment, all your best plans and dreams for yourself seem to alight on earth, just within reach."

In a high-cost energy society, when time and convenience are of the essence, it is inevitable that catalog shopping has become more popular and widespread—and for mail-order companies, more profitable. That is why 100 of the Fortune 500 are now engaged in direct marketing. This is taking place in a number of ways. Some large corporations are launching their own subsidiaries; e.g., American Express, Johnson & Johnson, Time, Avon, Xerox, etc. Others are in direct marketing by acquisition; e.g., American Can/Fingerhut and Figi; General Mills/Eddie Bauer, MCA/Spencer Gifts; etc. At the same time, small and large entrepreneurship continues successfully without abatement; e.g., L.L. Bean, Lillian Vernon, Roger Horchow, and thousands of others.

A Caveat

At this point in our direct marketing odyssey, a caveat is in order. While the prospects for the growth of direct marketing are auspicious, there are dangers that lie ahead. One immediate threat comes from those companies who perpetrate fraud and deception, or engage in direct-response advertising that is misleading or filled with hyperbole. While this nefarious activity involves a very small percentage of direct-marketing companies, their impact is widespread and adversely affects millions of consumers. The noted direct-marketing professional, Martin Baier comments on this matter in his splendid book, *Elements of Direct Marketing*, . . . "Direct marketing professionals . . . must conduct themselves and their affairs in an efficient, ethical and socially desirable manner." This admonition should be uppermost in our minds as we strive to combat the malefactors.

There are countless fly-by-night post office box mail-order schemes. According to the chief USPS crime fighter, the nation's elderly are particularly vulnerable to these frauds and schemes perpetrated through the mail. The most prevalent schemes targeted at older people are land sales, work-at-home "deals," insurance frauds, worthless, and sometimes, even dangerous, medical "cures," and get-rich-quick programs. Chain letter scams are a widespread form of deception and Congressman Claude Pepper in his 54-page report, as outgoing chairman of the House Select Committee on Aging, reminds us that some of those, barred from running mail-order schemes through the mail, keep operating by using toll-free telephone numbers.

The New York Times (January 17, 1981) estimated that there were 10,000 so-called "mail-order pastors." The Better Business Bureau reported that, in 1980, it received 1,500,000 complaints for non-delivery, delayed or damaged delivery of mail-order products ordered in the United States. This was 20.5 percent of all complaints received, putting mail order way out in front of this dubious category.

These activities and many others, as well as certain recent bankruptcies of a questionable nature, cast a wide pall of distrust among consumers. This can only harm the entire direct-marketing industry and invite restrictive legislation and regulation. A Lou Harris poll in 1983 found that 60 percent of the public said that government doesn't do enough to protect them from companies that fail to live up to their advertising claims. We direct marketers can do no better than to live by the definition in the 14th edition of the Encyclopaedia Britannica (1956): "Advertising is the process of disseminating information for commercial purposes." According to John Cavanaugh, of DMA, almost all troubles start with consumer complaints. He blamed junk products, junk services, and junk treatment of consumers as root causes of this serious problem perpetrated by a relatively small number of companies. Each of us in direct marketing has an obligation to help self-regulate our industry and help to implement DMA's Code of Ethical Business Practices.

At the same time, the increase in bad debts through cheating and fraud, as well as a result of massive unemployment during the recent recession, has led direct marketers to tighten credit controls. One interesting aspect of this was the formation in 1983 of the profit-oriented catalog cooperative called the Direct Marketing Guaranty Trust. With the aid of sophisticated computer programs and a clearinghouse technique designed by Tim Litle, the Trust is able to screen millions of orders, make elaborate comparisons, and detect patterns no single mail-order company or direct marketer could spot.

Business-to-Business Direct Response

Business-to-business direct mail and mail order continued to expand in the mid '70s as the cost of energy and sales calls escalated. A vast array of equipment, machines, parts and accessories are now distributed directly via catalogs and other means without the intervention of intermediaries. The largest specialized mail-order segments are general office supplies and equipment, trade publication subscriptions, and professional subscription products. Direct mail continues to play a major role in business-to-business direct marketing. It helps in augmenting the sales force, reducing the cost of selling, pre-selling before the sales call, controlling sales and distribution, providing qualified leads, identifying prime prospects, testing products and markets, and achieving direct sales.

The intensified competitive nature of American business over the past few years, both domestically and worldwide, has brought about the beginning of an increased recognition of the value and need for the direct-marketing process as part of the overall marketing policies and operations. Some large and smaller companies are using their database of customers and prime prospects as a strategic and tactical tool in more specific and relevant advertising, promotion, and selling. The database becomes an information source to reduce the cost of a sales call, improve its market position, and maintain regular contact with its customers and prime prospects.

Business-to-Business Telemarketing

While direct mail continues to be the main advertising medium used in business-to-business direct response, telemarketing is expanding by leaps and bounds. It is estimated that business-to-business telemarketing accounted for $10 billion in sales in 1981. The complexities of this market makes it different in many respects from the consumer market because of its size, buying influences, complex selling channels, and monetary value of sale. This calls for a most professional and skillful use of direct-response advertising. For many businesses, telemarketing uses advanced telecommunications technology as part of a marketing program. It uses management information systems and emphasizes the use of personal selling skills to help companies keep in close contact with their customers. Telemarketing in business-to-business direct marketing is used to take and handle orders, qualify leads, disseminate product information, provide effective customer services. It is also being used to target and expand the market, acquire fast feedback, and to speed fulfillment. It functions to balance the advantage of high technology and the techniques of direct marketing with the warmth of human contact to achieve desired results. The importance of this needs emphasis.

Direct Marketing the New Technologies

Digital technology—the movement of information in on-and-off pulses rather than in continuous waves—is the language by which computers communicate, the language of the Information Age. It is capable of handling information in whatever form customers desire—voice, data, graphics or video. AT&T Advanced Information Systems has allocated $45 million during the 1983-84 year on direct-response advertising. One division of the new company, National Business Systems, will handle accounts that require 40 or more telephone lines, and the General Business Systems Division will take care of businesses requiring fewer than 40 lines. The targets of the National Business System campaign are the four to five million senior executives of larger corporations. This will involve full page ads in such publications as *Fortune, Forbes, Business Week, Wall Street Journal, Time* and the *New Yorker.* Each ad will carry an 800 number. There will also be a series of TV spots aimed at the same target audience. This campaign is expected to reach 95 percent of the targeted executives. The small business campaign will consist of direct mail, TV, radio, and print promotions, all bearing the 800 number.

In recent years, direct response has been used in the promotion and sales of some of the highest-priced equipment. Sperry Univac sent direct-mail packages which cost $40 each via Federal Express, in an effort to influence key executives to request a demonstration of the new Sperrylink Office System. This system combines word processing, data processing, personal computers, voice communications, and other services. The system sells for approximately $1 million. The reponse was so heavy that Sperry Univac reported a presentation scheduling problem. AT&T has successfully used TV to promote long-lines service and equipment with response to an 800 telephone number directed to its sales center in Kansas City.

The Kobs & Brady agency created a successful direct-mail package for the Chesapeake & Potomac Phone Company, promoting telephone equipment selling for $50,000. Xerox Corporation uses direct-mail packages to sell $3,000 copiers with 15-day trial periods. (92 percent of respondents use the toll-free order number.) Moore Business Forms uses a catalog to reach companies with small computers to sell supplies and accessories. In addition to its catalog, Moore uses a multi-media approach that includes direct-mail pieces, space ads with 800 numbers. It has developed a pilot telemarketing operation that includes outbound calls to best prospects from its customer files. Inbound calls are used to take orders and to mail the catalog to prospective buyers.

The business-to-business mail-order field is vast in such products and services as: business supplies, industry computer software, stationery, office furniture, equipment specialties, etc; business services, such as information, communications, trade publication subscriptions, mailing list services, and industrial, including machinery, equipment, industrial maintenance, and materials handling.

The refinement of the database and its strategic use in the more competitive environment augers well for the future growth and diversity of business-to-business direct marketing. This is enhanced by the rising cost of sales visits, as well as escalating media advertisement costs. Small business, which is proliferating, finds it cannot be properly serviced by sales forces. Catalog selling is an evolving method in industrial and commercial markets. Office and computer supply businesses use catalogs as an efficient way to generate the relatively small dollar sales typical of their businesses. The Drawing Board relies virtually on its catalog alone to communicate with customers. Wright Line is a $50 million vendor of computer-related supplies and capital equipment for computer rooms, programmers and analysts, and small businesses. Wright Line uses an elaborate communications system that includes personal selling, telemarketing, and catalogs. Another factor of some significance in business-to-business catalogs is a trend toward better graphics, more color, and a "non-conformist" look and format, in an effort to get away from too much of a "look-alike" appearance.

Magazine Subscription Services

Publishers Clearing House is a nationally recognized direct marketing company best known as the largest source of magazine subscriptions in the world. Founded in 1953 by Harold Mertz, The Clearing House is located in Port Washington, New York, where it employs over 600 people in its various marketing activities. The first mailing was made that year (1953) from the basement of Mr. Mertz's home in Port Washington. He started with the simple idea that selling single subscriptions was costly; selling multiple subscriptions was cost-efficient. The first mailing included twenty magazine offers. However, not until the fourth mailing to the subscribers of the first three direct-mail packages was profitability attained. The company has been profitable ever since because of the validity of the offer, the personalized mailings, and the use of stamps and sweepstakes as involvement devices. Since the sweepstakes began in 1967, Publishers Clearing House has awarded over $10 million in prize money.

Between 1960 and 1972, Publishers Clearing House sent out over one billion pieces of mail. In 1983, the company mailed over 100 million pieces. Its large format mailing began in 1960 and continues to the present. It began its TV support of direct mail in 1974. Publishers Clearing House now represents over 250 magazines. Other magazine subscription services active in direct response operations are: Great American Magazines (Avon), American Family Publications, Magazine Buyers Service (R.H. Donnelley), Magazine Market Place, American Express subscription service, and United Subscription Service.

Other Markets

The 1970s witnessed a wide and increasing use of direct-response marketing by companies in the insurance, financial, and credit card services. A significant development in this regard was the rise and growth of Signature, the wholly-owned subsidiary of Montgomery Ward. Signature serves as Montgomery Ward's direct-response marketing arm and uses the most sophisticated computer techniques to segment Montgomery Ward's 16 million charge customer list.

In 1983, celebrating its 10th anniversary, Signature also achieved its 10th year of increased profits. The improving profit level, while paired with decreasing sales, was a result of new businesses and operating efficiencies. Service areas include the Montgomery Ward Auto Club, Montgomery Ward credit insurance programs, credit card registration service, and a home protection plan. The company is, also, again in merchandise sales after a temporary hiatus in 1981 to evaluate its strategy,

Dick Cremer, President of Signature, was in the vanguard in the field of Multivariate Linear Regression Analysis, utilizing Montgomery Ward's credit customers for analysis, testing, and segmentation. In the company's first, and still dominant, method of direct marketing—the use of direct mail—Signature sent 55 million pieces of mail to customers in 1983. Emerging as a strong second force at the company has been telemarketing.

Telephone communicators spoke with more than four million customers in 1983. Signature has developed innovative programs, fine products, and services, employing a keen understanding of the changing attitudes, wants, and interests of the consumer. A footnote on the Signature story is its in-house booklet which states its philosophy and reason for being and is titled "What Will Signature Stand For?" The answer is, says the booklet, Excellence—thru disciplined growth, thru people and in the way Signature does business. On the latter point, the booklet says: "Signature membership services are the best values around. Customers get the merchandise quality they expect. Signature delivers what it advertises. Top-notch customer service is our goal. We'll keep in touch with our marketplace.'" And on this it adds: "We need lots of information—about customers, about nationwide trends, about the government, about growing markets. We need to know and understand what's going on out there. By keeping in touch, we can move in the direction customers want. We'll come up with better products and improved customer services—and a more satisfied customer." Might this goal not serve as a guide to all direct marketers?

Impact of Social Change

One other factor which should not be neglected in a history of direct marketing is the profound impact on the marketplace as a result of the social upheavals of the 1960s. Dr. Hazel Henderson, a well known economist and futurist, conceives of the growth of direct marketing as a viable option in our era of high-cost energy. She sees evolving an information network of communications and organizations among consumers throughout the country, many of whom are non-conformist and are concerned with the quality of the life and self-fulfillment. It should be noted that there are an estimated 37 million people active in voluntary organizations in the United States, as well as millions of consumers in cooperative organizations. The U.S. Public Health Service estimates that 15 million Americans have banded together in 500,000 groups designed to help members cope with the critical challenges of life, marriage, divorce, sickness, joblessness and child-rearing. The American Association of Retired People with 14 million members and its magazine *Modern Maturity*, with over 8 million subscribers, is one dramatic example of the depth and breadth of the marketplace among the 25.5 million Americans 65 years or over—a population that is increasing rapidly. Over 15 million Americans are engaged in do-it-yourself, self-help and self-improvement activities. The do-it-yourself market was estimated at $30 billion for 1981 and expected to reach over $100 billion by 1990. The remarkable growth of Rodale, Garden Way, and similar direct marketing companies reflects these new life styles. *The Whole Earth Catalog*, published in the mid-1970s, sold 1.6 million copies in five years. Direct mail continues to be an invaluable tool for most of the more than 300,000 non-profit organizations in the nation, in a wide spectrum of philanthropic efforts in health and welfare, in education and religion, as well as community activities, politics, and elections.

Rodale Press

A dramatic example of the "new wave" in consumer attitudes is the success story of Rodale Press. In 1930, J.L. Rodale set up a research farm with a vision that the declining health of America's soil relates to the declining health of her people. Twelve years later came *Organic Gardening*. And in 1950, *Prevention* was born, devoted to the conservation of health and prevention of disease through good nutrition and exercise. Today the company publishes four magazines, three newsletters, an average of 35 books annually, a book division with 17 million books sold yearly. Its net revenue for 1982 was $125 million, 85 percent of it from direct response (primarily direct mail).

Rodale's magazines are leaders in their fields. They include *Prevention*, 2.5 million circulation, *Organic Gardening*, 1.35 million, *Bicycling*, 200,000, *New Shelter*, 650,000. Readers of its magazines, newsletters, and books number about 10,000,000. The company also puts out a number of catalogs which feature books and related merchandise, e.g. cookware in the catalog for cookbooks. Rodale produces television programs for broadcast and cable outlets. It is engaged in a number of research projects dealing with America's food system and America's health-care system. It is a company that does not take its sense of social responsibility lightly.

The company ceased publication of *Spring* magazine at the end of 1983, because ad revenue was inadequate, and it refused to take ads from what it considered undesirable products. The family-owned company, now run by Robert Rodale, son of the founder, uses direct marketing in an effective and au courant manner—but what distinguishes it is its vision, and its mission, which are recognized by its millions of customers. The company surveys its readers frequently; its marketing philosophy is based on efficiency and a devotion to quality and service. It has earned the trust of its readers by its integrity in product and in its advertising. The advertising that appears in its publications must meet high standards.

It could be said that its primary product is *information*. A Rodale brochure states: "At Rodale Press, we have a vision of the world as it could be. A world where everyone has enough food and resources. Where health is recognized as more than simply freedom from disease. Where technology works in *harmony* with the environment. Where individuals have more control over their lives and their government. Where both the plant and animal kingdom flourish in an ecological balance with man. Where neighbors and nature are guided by the spirit of cooperation. Granted it's an ideal vision . . . we believe that the ideal world is now being created . . . by centered, self-sufficient citizens who are capable of creating a better world for themselves at *home* . . . that is why all our publications focus on . . . . . what the individual can do to make life more natural, more self-sufficient, more energy-independent, and more healthful."

Garden Way

Another company that has flourished, as a result of this do-it-yourself and back-to-nature movements spurred by the social changes in the 1960s, is Garden Way. Formed by entrepreneur Lyman Wood in 1966, it had its roots in the mid 40s, with the publication of "The Have More Plan," a guide to self-sufficiency in the post-war era. The company began promoting and distributing the Troy Bilt Roto Tiller in the mid-sixties, and with the use of direct-response techniques, guided it to the $100 million sales mark annually by the early 1980s.

Other activities unfolded, including the Garden Way Cart, Greenhouse, and Publishing. A number of retail stores around the country were opened during those years. The company developed a reputation for product quality, customer service, and innovative direct-mail marketing techniques through its in-house agency. Estimated sales for 1983 are $120+ million.

Recreational Equipment, Inc.

A retail/mail-order business which finds that its customers support the firm's environmental philanthropy is Recreational Equipment, Inc. Its eight stores and mail-order operation do $75-80 million in sales annually in the outdoor equipment field. One million store and catalog customers have joined REI at a $5 one-time cost. The firm is a strong supporter of environmental issues.

Recently, it was cited by the prestigious Sierra Club for its significant environmental integrity. The company donates, on average, two percent of pretax net income to environmental and social projects, which amounted to about $70,000 in 1983. REI issues a quarterly newsletter, "Outdoor News," which devotes a full-page to discussion of environmental issues. Since the firm is a cooperative organization, it also provides benefits to its customers based on the amount of merchandise purchased during the year. It is a novel and successful retail and mail-order company.

The Vast Minorities Market

There are about 26.5 million blacks and 20 million Hispanics in the United States. The Hispanic market is essentially four markets. Mexican-Americans make up about 60 percent, Puerto Ricans, 14 percent, Cubans, 6 percent and those of other Hispanic origins about 20 percent. This is a huge and untapped market, which *Advertising Age* estimates at about $200 billion annually. Facts are stubborn things, and it is a stark fact that direct marketers have virtually ignored this massive market in spite of the enormous potential for profitable activity.

However, developments at the beginning of the '80s make it clear that a change is underway. There is every reason to believe that this decade will witness major progress, as direct marketers make new studies, do research, test and develop more targeted techniques in their activity in the enormous market among blacks and other minorities. A sign of the times is the establishment of the *Direct Marketing Minority Opportunities Group*. This organization is dedicated to advancing the careers of minorities, bringing minorities into the job stream, developing training and education programs, and publishing information on the vast untapped minorities market.

Consumer Financial Services

No area of direct marketing has made such a quantum leap forward in the early 1980s as the field of consumer financial services. The deregulation of banking, the meteoric rise in two-income families, and the large increase in the number of middle-income Americans have brought about this upsurge. The involvement of banks, in the recent past, in direct marketing often consisted of an insert into the monthly statement or an occasional piece of direct mail. Now, banks, insurance companies, and brokerage firms have invaded each others' territory with programs that cover financial services from insurance to managing the household budget. Some are developing customer service departments that will link the customers with the financial institution through a combination of the telephone, personal computer, and the company's mainframe computer and database. With an estimated $200 billion spent in 1982 for financial services, the largest corporations are expanding their operations through mergers and acquisitions. This is evident in the activities of such giants as Sears, American Express, and Prudential Insurance, to name a few.

What is the meaning of this in direct-marketing terms? Let's examine Sears. The Sears Financial Network now includes Allstate Insurance, Dean Witter for investments, Allstate Savings for banking, and Caldwell Banker for real estate. Sears expects that its solid reputation and its 40 million credit accounts will open the door to its financial services. Its target audience are those who are 25 years of age and older with household incomes of $25,000 or more. This is similar to the average Sear's credit card holder. It is, also, trying to attract people who don't shop at Sears. Its 859 stores are the bases for doubling as financial service branches, a process that is underway.

An analyst at Booz, Allen & Hamilton, Inc. predicts as much as 50 percent of Sears merchandise sales will be made outside its stores. This prediction is based on the fact that Sears is in the vanguard in the sophisticated fine-tuning of its enormous database, as well as in its use of the latest information and communications techology to create direct links between its customers, the stores, and its centralized computer equipment. This extensive electronic data and information are an instrument for Sears in the financial services area.

There are two caveats that need mentioning here. Can the disparate companies and their products be harmonized for effective benefit to the consumer? Are these giant corporate mergers in the best interests of our economic and social development?

One more example of the new giant financial services conglomerate is American Express which includes an insurance division, Fireman's Fund; the second-largest Wall Street brokerage house, Shearson/American Express; Investors Diversified Services; an international bank, as well as 1,000 travel offices and 50 percent ownership of Warner Amex. The keystone of American Express' operation is its 15 million cardholders around the world. It should be noted that its cardholders include about half of the 4.5 million American households with incomes of $50,000 to $75,000. Together with its new acquisitions, it aims to play a growing role in how people pool and invest their money. The company has made clear its general plans for expanding the American Express card so that it can be used to shop, make travel arrangements, pay the mortgage, buy and sell stock, transfer assets for maximum appreciation, and access savings. Targeted direct mail and other direct-response media will continue to play a major role in its growth plans.

Direct-Mail Volume in the Years Ahead

There is no doubt that the electronic revolution in information and communication technology is having an immediate, profound and lasting effect on the nature and scope of direct marketing. There are those who express a simplistic technocratic view that the new technology has already brought about a decline in the volume of direct mail and that the 1990s will witness the demise of direct mail. Nothing could be further from the facts. The volume of direct mail has shown a steady increase over the past years and the forecast is that third class mail volume will continue to grow at a faster rate than all other classes of mail. Third class volume for FY 1982 was 36.7 billion; projected for 1983—39.4 billion—and for 1984—42.1 billion. Of this, 95 percent is calculated as direct mail, while 10 percent of first class mail is estimated as direct mail. The number of third class bulk permits issued in FY 1982 was 663,402. Of these 300, 966 were non-profit permits.

As we ponder the impact of this information and communications revolution on direct marketing in the 1980s, an historical analogy is relevant. Daniel J. Boorstin, the Pulitzer-Prize winning historian and now the Librarian of Congress, has this to say: "People expected print to displace the use of memory, the telephone to displace the postal system, the automobile to displace the bicycle, and television to displace radio, movies and books, but that's not what happens. New technologies transform the uses of old ones. They don't replace them."

If history has a lesson to teach direct marketers, it is that the database, as a repository of marketing information, will enhance the quality and effectiveness of its primary vehicle, direct mail along with telephone marketing. Videotex and teletext will grow as direct-response vehicles, while joining with print and electronic direct-mail synergistically to make overall response more effective.

In his *Ad Age* column, Feb. 21, 1983, Sid Bernstein speculates that, as a result of the new technology, direct-response advertising may become the main vehicle for the sale and distribution of branded merchandise. What is significant about this observation is the fact that numerous brand-names manufacturers are entering direct marketing or expanding their direct-marketing operations. This includes such companies as Scott Paper Kimberly-Clark, Lipton Tea, Hanes, R.J. Reynolds, Brown and Williamson, Procter and Gamble—to name a few.

The U.S. Olympics/Procter and Gamble/Woman's Day Tie-in

The case of Procter and Gamble has a significant meaning for direct marketers. A somewhat novel and unusual use of direct marketing is evident in the *Woman's Day* Olympic Fund, in association with Procter and Gamble, which was launched in September 1983. It aims to raise $500,000 for the U.S. Olympic Team through the use of direct response with coupons and premiums in which a share is set aside for the Olympic Team. The promotions include two Carol Wright coupon mailings to 45 million households. Matching inserts will be placed in *Woman's Day* with regional breaks matching the Carol Wright ZIP code breaks. One of the Carol Wright mailings will include a sweepstakes offer of free trips to the Olympics. The envelopes will carry a message urging the redemption of the coupons to help support the U.S. Olympic team. The campaign will include heavy national TV, radio and magazine advertising, and a national publicity tour with former Olympians. Other large promotions planned include free standing inserts, mail-in offers, mailed coupons, and Olympic premiums, in an effort to raise funds and gain support for the Olympic Team, while promoting *Woman's Day* and Procter and Gamble products.

K Mart corporation has allocated $40 million for general and direct-response advertising in connection with the 1984 Olympics. This included national TV, a 24-page newspaper section, 63 million copies of an eight-page insert to appear in 600 newspapers, a sweepstakes campaign and a $1 million fund raising drive for the U.S. Olympics. Direct marketing is being used by various other companies in the tie-ins in support of the U.S. Olympic team.

Direct Marketing of "Sensitive" Items

Procter and Gamble entered direct marketing in 1981 from another direction, namely its promotion of "Attends" disposable briefs. Its ad which ran in *TV Guide* included an 800 number and listed a post office box number. It also offered a booklet "Living Normally with Incontinence," to explain how to order "Attends."

"'Attends" has been available through the Sears Catalog since November, 1982. In addition to the fact that direct-response appeals to those who are unable to leave their homes, there are those who, for personal reasons, do not wish to shop at stores for "Attends" and other sensitive items. The Procter and Gamble goliath seems to be exploring direct-response techniques in a number of areas, including the use of an 800 number, on packages to encourage customer feed-back on products.

IBM and Direct-Response Marketing

IBM expanded its direct response advertising beyond direct mail when it recognized two opportunities in the supplies business. Using direct-response advertising techniques, it saw a chance to provide its supplies' customers with greater convenience and service and to give IBM a more cost-efficient alternative to its traditional supplies marketing approach through a sales representative. However, this was only for certain commodity-like products and smaller customers. The answer was the establishment of a toll-free ordering phone number, which became known as IBM Direct. Orders are accepted and processed the same day. This effort was teamed with mail marketing and telemarketing to provide customers with up-to-date product information and a timely reminder to reorder before supplies ran out.

At first IBM handled ribbons, tape, and typewriters only. However, as customers sought more product information, the company planned a "full-line sales call" by mail. This became the first IBM Direct supplies catalog. That catalog has expanded significantly in product offerings. The 60 page 1983 supplies catalog contains several hundred part-numbered items. In its research IBM discovered, not surprisingly, that its best catalog buyers came from the customer database. Lists are updated constantly, while mailings are tested for format and type of offer. Meanwhile, as IBM moved into another supplies catalog area—featuring low-end products and small systems—it developed a risk free trial privilege for customers. This was teamed with the option of payment through one of the major credit cards. Parallel to this was the development of Product Centers. These factors led to the first IBM retail catalog.

Finally, in the latter catalog, pages relating to certain larger products were annotated to indicate that customers could call a toll-free number to arrange for a demonstration through a marketing rep. Thus, the catalog serves the function of IBM Direct and Product Center sales, as well as lead-generation. Combined with Authorized Dealers and mail-order, customers are given a full range of point-of-preference purchasing. IBM's second retail catalog was mailed in June, 1983.

The "New" Direct Marketing

One of the primary reasons for the increasing volume of direct mail is the nature of the "new" direct marketing, whose foundation is the computerized database of customers and prospects, media performance, and other relevant sales and marketing information. The primary vehicle for the database is direct mail, along with the telephone and the new electronics. No finer demonstration of this extremely targeted use of the database is that of the airlines; perhaps, all the more so, as quite a few found themselves in financial difficulty at the beginning of the 1980s.

American Airlines

American Airlines, for example, has been using direct-response advertising for many years, but it only undertook intensive efforts in the early 1970s. It was then that AA recognized that direct marketing was an efficient and effective method to reach the right audience—its most frequent customers and best travel agents at very attractive costs. They also recognized that direct marketing was very flexible in allowing the airline to tailor and communicate its messages quickly. At the same time, it focused on the fact that, although it was transporting many millions of passengers every year, a major share of its business—perhaps as much as 65 percent—was coming from a relatively smaller number—about 800,000 who were averaging some 13 trips a year on American Airlines.

This was the basis for developing the computerized Sabre reservation system and a major direct-mail effort to build the best possible mailing list and database. It was necessary to automate records in machine readable form, to acquire home addresses, phone numbers, and relevant demographic information. American Airlines used two distinct but integrated direct-marketing efforts. One was targeted to the very high-volume customers—called "Very Important Travelers"—and the other aimed at passengers who produced a significant but somewhat lesser amount of revenue for the company.

These customers were the object of an energetic direct-response campaign that included direct mail of several types, special memos, special reservation telephone numbers, and a host of other features. These travelers could now be reached, in a targeted manner, with information on schedules, fares, and special service features. In this specific and direct way its 800,000 frequent travelers could be reached while general advertising continued in the mass media to reach its other 25 million passengers who used American annually.

During 1983, American continued to update its data processing and communication projects. In this state-of-the-art development, another effort was to reach the travel agents and, in specific terms, the 7,000 largest travel agencies. The company has invested an estimated $130 million in its computerized system, which includes automatic contact with the 7,000 travel agencies. This has helped to automate such diverse functions as tickets and boarding passes, baggage tracking, as well as the direct-marketing program.

A program that shows how technology and marketing can be blended is the AAdvantage program for frequent travelers. This has made it possible to give the frequent traveler, each of whom has a specific number, a more personalized type of service regarding seat assignment, meals, accuracy, and efficiency. The AAdvantage customers receive special awards and bonuses based on the number of miles traveled, which is included in a monthly statement. The most recent introduction of an even more targeted program is called AAdvantage Gold. These American Airlines travelers—the most frequent travellers of all their customers—receive a gold card and are eligible for an additional variety of special incentives and services. Somewhat similar direct marketing programs are in operation at United, Pan Am, Delta, Eastern, and other airlines, which expect to bring about the most cost-efficient and effective marketing operation through direct marketing.

The Cash Management Account

Merrill Lynch, Pierce, Fenner and Smith, Inc. initiated and introduced what it called the Cash Management Account or CMA in 1977. In those short years, more than a million people invested at least $20,000 each. Direct response played a significant role in the marketing efforts that accomplished this incredible feat. In 1975, Merrill Lynch ordered a large-scale survey to learn what Americans, with $30,000 income or more, wanted from their financial service companies. The study showed that the four services the public wanted most were: 1) to have their money working for them at all times; 2) to have quick and easy access to it; 3) to have credit available when necessary; 4) to have accurate information about their total financial picture. Thus, the CMA was born to implement and realize these four objectives.

The first direct response space ads in 1977 were unsuccessful. After considerable testing and experimentation, space ads finally became effective during 1980. A big boost was given the CMA when *Fortune* Magazine ran a feature story on CMA calling it the most innovative financial service in nearly a decade. Ads in the *Wall Street Journal* brought a large response at a lead cost of only $8.39 for a $20,000 product. Then Merrill Lynch began a multi-media direct-response advertising program in concert with its mass product and broadcast advertising. Direct mail of various types were used, testimonials of actual customers were employed in ads, and free-standing inserts were placed in Sunday papers which were supported by advance radio spots. Sixty-second TV spots were developed stressing the convenience of CMA. An expanded direct-mail program generated leads for account executives. In less than six years, direct marketing has assisted in the process of acquiring over one million customers for CMA with assets of 70 billion. Moreover, about 60 percent of the accounts were opened by people who had not been previous customers of Merrill Lynch.

The Increasing Use of the Database

Since the database is the foundation of direct marketing, it is natural that companies in the information and communication field would be actively engaged in the direct-marketing process. The very recent experience of AT&T Information System (split-off by deregulation from AT&T) is a typical case in point. Its goal was to offer communications equipment and information-handling systems to more than 80 million households and seven million small businesses. These products include basic telephones, such as traditional, princess, and trimline sets, design line (decorator) telephones, and such sophisticated products as the Touch-a-matic 1600, the Nomad cordless series, and the Genesis telesystem—a microprocessor-based unit. It is the demands of customers for more functional products, that save time and money and help to better manage their lives, that has led to a rapidly-expanding higher technology product line.

By the end of 1982, (within five years) AT&T Information System had also set up 22,000 retail outlets for home telephones. In order to interact more specifically and relevantly with its customers, it offered the choice of direct response shopping through a number of direct marketing thrusts. The company developed the Customer Analytic Profile database (called CAPS) which extended to 60 million households. This database was segmented into 28,000 groups for more targeted marketing and for testing purposes. The system is totally interactive and user-friendly; the company was able to learn a great deal about their customers, their needs, and their interests. At this writing, under the de-regulation program, the company cannot use the CAPS directly and is in the process of rebuilding its database of current and prospective customers.

In addition to its stores and its extensive direct-response promotions, the company has set up numerous home centers and a telephone Marketing Center, established a joint venture with Sears, signed a contract with American Express to market its normal line of cordless telephones, and undertook a joint videotex trial with CBS involving 200 Ridgewood, New Jersey homes. AT&T Information System sees the target market for its products, in the early stages of videotex, to be households with incomes of $35,000 and more, as well as the innovators and early adapters. The latter include a considerable portion of the frequent users of credit cards, mail or phone shoppers, and finally those in the 25-44 age group.

The Interdependence of Media

The increasing use of a multiplicity of media in the 1970s required that each individual medium be refined for more effective targeted marketing. Equally important, if not more so, is the significance of the interrelationship and interdependence of the media, as a means of achieving a synergistic effect. Nowhere is this more visible than in the rapid development in the mid-'70s of support response advertising such as TV support for direct mail and print, and the increasing trend of telephone support for direct mail. The introduction of the 800 WATS lines—out-lines in 1961 and in-lines in 1965—has been a crucial factor in enlarging the scope and effectiveness of direct response, particularly in TV as well as in direct mail and print advertising.

The invention of the printing press in the 15th century hastened the demise of feudalism and monarchial societies and helped to usher in new industrial, market, and political systems in Europe and America. In a similar vein, in less than 30 years, television has altered American society, be it the marketplace or the presidential elections. Can less be expected from the proliferating and accelerating data processing, teleprinting, telecommunications, and telemarketing revolution?

New Markets and New Media

The expanding Information Age, in which John Naisbitt in *Megatrends* estimates that 60 percent of the workforce was in information jobs in 1982, focuses on the business of information handling, namely the knowledge business. The transistor invented over 30 years ago opened the way to the conveyance of communication and computer technology. This is the essence of the Information Age, i.e. the synergistic integration of data processing and communications.

In the expanding Information and Service Society of the 1980s, the mass media industries are gearing up for new technological challenges in the production and publication of books, magazines, newspapers, records, films, videotape and videodisc, and in radio, TV broadcasting and "narrowcasting." The electronic, transistor, and computer technology has brought us pocket calculators, video games, citizen band radios and video cassette records, automated telephone services, and pay cable TV. It is estimated that by 1990, well over half of United States households, or about 50 million, will be on cable TV.

The next few years will witness the emergence and further growth of interactive cable, subscription TV, personal and home computers, viewdata and teletext, and direct satellite broadcasting. The marketplace will be transformed. So, too, will direct response media, with "new" media appearing, and both new and traditional media being used singly and increasingly in tandem, as interactive and interdependent direct-response media move forward. Telemarketing is truly a marriage of telecommunications technology and direct-marketing techniques. In its immediacy, picturization, specificity, and convenience, the new video technology is direct-marketing biased.

The Genesis of the Computer in Direct Marketing

If we wish to render a sound judgment on the impact at present, and in the immediate years ahead, of high-tech on direct marketing, it is best to examine the role of the computer from the outset.[8]

Although high-speed digital computers were a by-product of World War II technology, their introduction to the business community did not occur until the early 1960s, and then in only a limited way, owing to their enormous expense. As in other fields, computers at first were used by direct-marketing firms essentially in accounting-related applications: payrolls, bookkeeping, and inventory control.

As computers became readily available, and less expensive to use—and as marketing executives became more familiar with their capabilities—the ability of computers to manipulate vast amounts of data, and to store information, was employed by the marketers to maintain mailing lists. And, upon the introduction of the ZIP Code system—with the Post Office's discounted rate for "ZIP-sorted" direct mail—direct marketers quickly moved to use EDP systems in place of the physically cumbersome and limiting Addressograph system (which used embossed metal plates, filed alphabetically) and similar-type systems.

As census tract-based data from the U.S. government became available on computer-readable magnetic tape, marketers soon saw an opportunity to overlay this information on their mailing lists by using the 40,000-odd ZIP Code "cells" to break the data into manageable "homogenous" groupings. These data were then used to segment individuals on large mailings lists into clusters of people with similar characteristics, enabling mailers to fine-tune their mailings, so as to reach people with characteristics compatible with their products and offers.

In the late 1960s, mailers took this segmentation one step further. By combining census tract data with their own actual sales experience, mailing lists—for the first time—could be "indexed" to identify individuals with a higher-than-average tendency to purchase. By using linear and multiple regression techniques, which previously required hundreds of manhours to perform manually, computers could segment mailing and customer lists in minutes. This enabled mailers to dramatically increase the efficiency of their promotions at negligible cost.

In the early 1970s, direct-marketing firms began using third-generation "mainframe" and first-generation "mini" computers to perform tasks previously handled manually. Marketers began using computer-based systems for applications which included computer modeling and mathematical simulations, customer service (since computers could store and display, on CRT screens, a customer's account history), and record keeping of "result" information.

Computer Technology Advances

In the late 1970s and early 1980s, as technology grew, computers began interfacing with people via high-speed impressionless printing techniques. This involved "Ink Jet Imaging" (an electrostatic system which sprayed ink onto paper at speeds hundreds of times faster than computer line-printers with 2,000 line-per-minute speeds) and "laser printing" systems which burned images into paper at, yet, higher rates of speed.

Personal Computers

But the biggest development in computer technology—in terms of its implications for direct marketers—began in 1981, as inexpensive (under $1,000) "microcomputers" became available for home use. As Alvin Toffler wrote in *Future Shock* and *The Third Wave*, personal (micro) computers started a revolution in direct marketing that, as of this writing, is just beginning to be felt.

As of early 1984, there were some 8,000,000 households in the United States with microcomputers, and the number is escalating yearly. It is estimated that by 1990, 40 percent of U.S. households will have personal computers. (IBM has announced its plans to market its "Peanut," and Coleco has introduced its $700 system complete with a printer, 64K processor and over 1,000K high-speed random access tape drive—a system which, only five years ago, would have cost in excess of $6,000,000 and would have occupied the space of an eight-room home!)

Coupled with "modems" (devices which permit computers to communicate with each other via telephone lines), personal computers are beginning to be used by consumers to gather information, shop, bank and budget. There are presently four magazines published, not on paper, but on a "floppy disk"—a magnetically-coated disk the size of a 45rpm record, which can store the equivalent of 500 pages of a printed book or magazine. These computers are being used to interact with consumer database services, electronic catalogs, and entertainment and information services.

Growth of Software Computer Products

Total sales of software computer products were estimated at $1.8 billion in 1983; this includes programs, video cartridges, word-processing systems and data storage devices. Cecil Hoge estimates that in recent years some 3,000 firms started up selling software by mail order; most of them small companies, with some medium-sized and a few large companies also involved. Book and magazine publishers are rushing into software. Doubleday has paid $1.3 million for the "Whole Earth Software Catalog" for microcomputers. It almost seems that a home computer can't survive without its own magazine to announce new computer applications and peripheral hardware. The magazine, *PC: The Independent Guide to IBM Personal Computers*, with 130,000 subscribers, consisted of 640 pages in its June 1983 issue, only 15 months after its first issue appeared. And a batch of other software magazines are riding IBM's coattails. Furthermore, Atari, Radio Shack, Commodore, Apple, and other home computers have magazines for their specific needs. *Family Computing*, with 300,000 circulation, published by Scholastic is aimed at servicing families with children between five and fifteen no matter what brand computer they have. Because of Scholastic's presence in the schools and its recognition that the personal computer is primarily an educational tool, the company is planning a number of new magazines in the computer field.

The phenomenal growth in the number of personal computers has also been decisive in the escalation of all types of computer software, as well as books and magazines. When Ziff-Davis changed the name of *Popular Electronics* to *Computers and Electronics* in November 1982, its circulation, which for years had hovered around 400,000, shot to 600,000. There are estimates in reliable book publishing circles that, by the end of 1983, the number of computer books will surpass all of fiction. Studies have shown that the audience for these personal computer products is largely male, college-educated with a median age of 37.

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[8] This section on the computer is based on information provided by Walter Marshall.

It is clear that direct-response advertising plays a major role in the sale and distribution of personal computers and its variety of software products. This, occasionally, takes an uncommon form as seen in Apple Computers' entry in the gift market with a catalog, first test-marketed in 1981. The logo of the catalog, with an emphasis on computer accessories, is the distinctive Apple logo with one bit missing and the multi-colored stripes. Products offered range from a $2.50 lapel pin to an $899 sailboat. In some respects, these are not unlike youth-oriented, upscale, quality merchandise offered in other gift assortments—but the focus is on the Apple logo. The 20-page catalog published in the summer of 1983 was distributed primarily to the company's warranty list of Apple computer buyers, which list it has built up via direct-response advertising. The success of the catalog led to the publishing of a one-page Christmas supplement including five additional gift products all bearing the Apple logo.

The Computer as a Tool

As to the overall significance of computers, John Naisbitt, author of the best selling "Megatrends" has a cogent prediction:

> *Just as highways and roads have promoted more cars, the computer has been a tool that has promoted more complexity and segmentation. Direct marketers are at the forefront of where everybody is going to be. We can all learn from them.*

One example of this trend is the operation by Comp-U-Card, and its latter-day offshoot, Consumer Electronics. It started in 1973 as a discount buying service for consumer durables. Comp-U-Card provides to its estimated two million members, for an entry fee of $25, a database which now has over 60,000 brand-name products with sophisticated software to access that database. It has been described as a comparison shopping facility for price and product information.

Comp-U-Card's latest development, with considerable potential implications for direct marketing and retailing, is a joint operation with the J.P. Stevens Company, with its first test in Dillards Department Store in Dallas. This comprises a self-contained kiosk which consists of a video disk player, a video monitor, a small microcomputer with the CRT screen and printer. It's hooked by a telephone modem to the mainframe. All the video kiosks are linked to this mainframe. The merchandise is bed and bath products and can be ordered from one's home with delivery from the J.P. Stevens fulfillment center in North Carolina. This novel development is planned for a number of quality department stores who can thus offer a vast selection of merchandise with little floor space, with speed of delivery, and no fulfillment action by the store. Other in-store shopping terminals, as well as public access terminals (airports, railroad stations, banks, shopping malls, hotels), are beginning to take shape.

More on the Electronic Media

A brief prefatory comment of a philosophic nature is in order, before we further examine this electronic media—extant and emerging. Tony Schwartz in his recent book, *Media: The Second God*, makes the sound point that electronic media are *received* media. Print is a *perceived* medium. People interact with perceived media, whereas, they react to received media. Received media are instantaneous, perceived media (print) require time to be understood or comprehended. Electronic media's credibility depends on how the message, i.e. the picture etc., impacts on the viewer's feelings or emotions. This requires great skill and sensitivity and, above all, integrity on the part of direct marketers to be effective, without exploiting or tampering with human emotions that can be counterproductive.

Cable TV

"Videotex or teletext may be the retailer of the future, but cable is very much here now, a medium that keeps proving itself to the direct marketing community," according to Sheldon Hechtman, Vice President of broadcast and electronic media, Rapp & Collins. The use of this newest medium by direct marketers is a rapidly-developing phenomenon which is evidenced by the proliferation of shop-at-home programming and direct-response merchandising spots.[9]

Direct marketers are excited by the prospect of Cable TV's:

- **Narrowcasting:** Cable networks are almost all specifically aimed at the interests of particular groups, many of whom are younger, more affluent, better educated and with more varied lifestyles.
- **Infomercials:** Cable TV is not restricted to 30, 60, 90, 120 second spot commercials. Cable offers longer advertising messages.
- **Price Structure:** Compared to Broadcast TV, Cable TV enjoys favorable rates, with a variety of P.I. deals.

Home shopping shows have sparked a great deal of interest among direct marketers and several of these "shopping shows" have evolved from their experimental stages into more developed programs. Some of these include:

- **The Home Shopping Show**—is the longest running shopping service on cable TV. The program consists of three eight-and-a-half minute infomercial segments and is shown on Modern Satellite Network three times weekly.
- **The Cable Shop**—is a joint venture between J. Walter Thompson and Adams Russell. The service consists of four channels, one of which is the "menu" channel, where viewers can find which product infomercials are available, at what time, and on which channel they will appear.
- **The Sharper Image Living Catalogue**—is a 30 minute video version of the San Francisco-based

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[9] *Based on information supplied by Murray Miller.*

Sharper Image Catalogue. The program features Sharper Image President, Richard Thalheimer, describing and demonstrating catalog items in an imaginative and exciting way.

Spot Commercials

Direct-response "spot commercials" familiar to Broadcast TV are successfully making their way to Cable TV. The cable direct-marketing "spots" make a wide variety of products and services available to the cable subscriber. Most ad-supported networks are eager for these direct-marketing commericals which generally have visual punch and appealing products. The Cable market is wide and growing. Major magazine publishers, record companies, and financial houses have joined other direct-marketing firms in offering their products and services via Cable TV.

Through Cable TV, direct marketers are able to communicate greater quantities of information in more detail to consumers. Also, Cable enables marketers to more selectively determine which consumers receive their message. It is apparent that Cable TV direct marketing will gain in consumers' acceptance, resulting in noticeable growth in mail-order sales during the 1980s. In the years ahead, Cable TV will undoubtedly enhance the variety and quality of its programming to hold and enlarge its audience, while direct marketers continue to improve the effectiveness of their commercials through research, testing, and experimentation.

Management and Marketing

An article in the *Harvard Business Review* (July-August 1980) draws the implications for the future of management and marketing. The article "Retailing Without Stores" concludes (p. 112): "We see a virtual certainty that the era of widespread telecommunication shopping is approaching. We predict that this era will witness significant alterations in the concept of retailing and the nature of retail competition. The challenge to management is to grasp the dimension of the coming telecommunications revolution." One prediction is that 20 percent of all retail sales will be over videotex systems by 1990. By that year, estimates of households with videotex terminals range from 7 percent to 25 percent. It is a harbinger of things to come when one witnesses the entry into, and exploration of, "electronic mail order" by Sears, Penneys, Federated Department Stores, Neiman-Marcus, I. Magnin, and Fingerhut, to name a few.

The Fingerhut Phenomenon

Fingerhut is a case study of the use of "old" and "new" media, both solo and in concert linked with its database and the individuality of each customer. This is pointed out in the best-selling book, *In Search of Excellence*, by Thomas J. Peters and Robert Waterman. "Fingerhut, a major retail cataloger . . . may be the ultimate niche company (one that has carved out a successful market segment). Because of a remarkable system of tracking customers and customer profitability, virtually every individual customer is a separate market segment." For example, as *Fortune* notes, "a month before your son turns eight, you will receive a packet including a personalized letter promising that, if you agree to try any of the products offered, Fingerhut will send along a free birthday gift suitable for an eight year old boy. The more orders you place, the more packets you receive in the mail. Fingerhut concentrates on its core customers and includes such service as pre-approved credit in the midst of recession . . . A successful catalog house like Fingerhut overspends on data accumulation. 'Using our data better we can open a personal store for each customer', a Fingerhut executive says." (Page 185.)

Another article in the July-August 1981 issue of the *Harvard Business Review*, "Managing Our Way to Economic Decline," after a critique of the limitations of the short-term approach of the product management system and the marketing concept concludes (p. 77): "The key to long-term success—even survival—in business is what it has always been: to invest, to innovate, to lead, to create value where none existed before. Such determination and striving to excel requires leaders—not just controllers, market analysts and portfolio managers."

Direct Marketers—and Social Responsibility

Two books published in 1983 expressed profound ideas that are beginning to find their way in business practice. In *The Marketing Imagination*, Theodore Levitt, noted professor of the Harvard Business School, states that an enterprise that exists merely to make money is chasing "a repugnant idea, an idea whose time has gone." The purpose of business, he adds, is simply "to create and keep a customer." To accomplish that, he says, "You have to do all those things that will make people want to do business with you."

Wm. C. Norris, founder and chairman of Data Control Corporation, in his book, *New Frontiers of Business Leadership*, states, "While business continues to follow a policy of maximizing short-term gains with minimum risk, there are signs that it is beginning to recognize that it has responsibilities beyond just making a profit." He believes that business has vast social responsibilities, and that the central task of business is to identify "unmet social needs" and to figure out profitable ways of meeting them. Morris opines, "History teaches that addressing major unmet social needs is sound business."

From another vantage point, Donald Seibert, retired chairman of the J C Penney Company and currently chairman of the American Retail Federation, has this to say: "In the long run, the best business is that which is founded on the most ethical judgments."

The history of direct marketing amply confirms that this kind of leadership and professionalism is the rock-bottom basis for success and long-term profitability. From Aaron Montgomery Ward, Richard Sears and Julius Rosenwald to L.L. Bean, and Harry Sherman of Book-of-the-Month Club, and from Robert Rodale, Lyman Wood of Garden Way, from Rose Harper of Kleid to Lillian Katz of Lillan Vernon, to Stanley Marcus, Henry Johnson of Spiegel, Lester Wunderman, and Richard Cremer of Signature—entrepreneurs and leaders have been and are men and women of foresight, courage and integrity. They are people with an understanding of and respect for the consumer and a sense of social responsibility. This is the way to meet the great challenge and opportunities that we face in the 1980s.

2

The Scope of Direct Marketing

by Craig Campbell
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Introduction

In our last edition of the *Fact Book*, we wrote that direct marketing represents a phenomenon much greater than increasingly sophisticated mail order. Indeed, what direct marketers do differently is to concern themselves more accurately with the response of sellers to the increasingly complex demands of buyers whose lives and needs are changing daily.

Today, the participation of the direct marketing industry in our changing social condition is greater than it has ever been. Although we can and do measure certain key statistics, a measure of the scope of the industry is inappropriately modest if it stops there. Fueled by new technologies, direct marketing is now a driving force that will profoundly change the way we live.

In this overview, we will consider not only the raw growth in measureable categories and traditional applications, but we will, also, introduce the dramatically new trends and new categories that promise to define the scope of our industry in the age of information.

Exhibit 2-1
Total Estimated Direct Response Advertising Expenditures

	1981	**1982** (in millions $)	**1983**
Coupons[1]	94.6	127.1	148.1
Direct Mail (postage, paper & production)[2]	10,566.7	11,359.4	12,692.2
Magazines (mail order merchandise only)[3]	150.0	167.0	188.7
Business Magazines (industrial products only)[3]	59.0	66.0	73.9
Newpapers[4]	73.0	70.6	80.5
Newspaper Preprints[4]	2,288.5	2,500.0	2,850.0
Telephone[5]	11,467.0	12,935.6	13,608.3
Television[3]	295.0	339.0	386.5
Radio[3]	29.0	33.0	37.0
Grand Total	$25,022.8	$27,597.7	$30,065.2

1. Source: Nielson Clearing House
2. Source: Direct Marketing Association, Inc.
3. Source: HAI Industry Statistics/DMA projected growth percentage (1983 only)
4. Source: Newspaper Advertising Bureau/DMA projected growth percentage (1983 only)
5. Source: ATT Communications, DMA estimate for 1983 only; based in part on information from AT&T

Note: Creative costs not included in any of the above figures.

DMA estimates that total goods and services sold in the United States as a result of direct marketing amounted to $137.9 billion in 1982 and to $150.3 billion in 1983. These figures are based on the formula estimate that direct marketing costs equal approximately 1/5th of gross sales.

In March 1985, the Direct Marketing Association established a Task Force on Industry Statistics to reevaluate the Association's statistics-gathering programs and methodology. Pending this review, DMA has postponed issuing direct response advertising expenditure and total direct marketing sales figures for 1984.

The Role of Direct Marketing

It is important to define what direct marketing is to understand the role that our efforts play in the movement of goods from seller to buyer. Although media expenditures provide excellent measurements, they do not really represent all the critical elements of direct marketing.

A highly simplified definition of direct marketing is that it is a system of delivering goods and services directly from seller to consumer using measurable advertising and sales promotion techniques and which bypasses intervening distribution systems.

In fact, the full scope of direct marketing includes numerous hybrid systems, wherein direct-response techniques are employed for their advantages of simplicity, measurability, and efficiency. Furthermore, direct-response creative devices that motivate immediate and visible consumer response activity are frequently mixed with other promotional efforts to stimulate sales, donations and other measurable response. The diversity and flexibility of direct marketing applications is a significant factor in the growth of the industry. Today, direct marketing is a familiar element in the "marketing mix" in virtually every major manufacturing and service category. It is important, though, to recognize that direct marketing, in "pure" and "hybrid" applications, plays a vital role in all the elements of marketing.

Traditionally, advertising (*promotion*) is considered the dissemination of product information reasons to buy to the consuming public and, without question, direct marketing does that. But it is or can be much more.

Establishing the *price* of a product to recoup all manufacturing, distribution, and selling costs plus profit can be affected dramatically by the direct-marketing discipline. First, the direct distribution will almost certainly change the cost of distribution. Also, direct-marketing customers respond differently to the same price at retail—typically, testing to determine the effect of price is a common and integral element unique to direct marketing.

The *place* in direct marketing, our version of the retail outlet, is actually the media vehicle itself. The "store" for catalog merchandise, for example, is the book itself. For a record club, the "store" may be an insert in a magazine.

The effect of direct marketing on the *product* itself may be the most profound, because products sold and delivered directly have the added value of service as an integral benefit. Goods then are sold, but on the perceived benefits of the *entire transaction*—product and service.

Direct Marketing and General Advertising

There is an important distinction to be made between direct marketing or direct-response advertising and other advertising forms. Just as important is to recognize the blurring distinctions, as general advertisers become more like direct marketers! Consider this brief comparison:

Direct Marketing	**General Advertising**
• Products sold to individuals described precisely by name, address and specific previous behaviors.	• Large groups sharing consumer characteristics of demographic and psychographics are persuaded to shift attitudes.
• Behavioral change (response) is immediate and precisely measureable.	• Behavior is changed *after* attitude shift over time. Action is deferred.
• The medium is the marketplace.	• The medium is for information. Marketplace is usually retail.

It is within this comparison that we can find the bases for the explosive growth of direct marketing and the profound effect it has on our lives today:

- The unprecedented capacity to collect and analyze information on what consumers want, and the factors that affect behavior, has enabled manufacturers (sellers) to define ever-more appropriate products for extraordinarily well-segmented audiences. With efficiency comes profitability.
- The media, through which these audience segments can be contacted and through which transactions can be executed easily, are proliferating as rapidly as new information technologies—namely, the computer—are becoming a part of our lives. This edition of the *Fact Book* (as well as numerous other DMA publications) will consider these topics in much greater detail. One thing is certain: the explosion of electronic databased marketing efforts is no longer on the horizon. It is here.

Direct Marketing User

Direct marketing applications are now a part of virtually every category. To our knowledge, no significant cases exist in any category wherein the use of direct marketing has declined. Indeed, in each of the major categories—consumer goods and services, business-to-business, and fund-raising—the use of more sophisticated applications of electronically-processed data has resulted in more and more reliance on direct marketing.

Business-To-Business Marketing

The business uses of direct marketing fall into several categories. The most common are sales lead-generation, direct sales, and sales support which can include trade show attendance, literature distribution, new product introduction, and pre-call conditioning. In these categories, direct mail is considered the primary medium, although virtually all business-to-business print has become direct response.

Most business-to-business marketers enjoy the advantage of prospect markets which are easily defined targets based on industry classification, size, or sales volume. Because they are so identifiable, direct mail can enjoy considerable advantages in efficiency over other media despite the higher circulation costs.

In nearly all industries marketing to business, there is a dedicated sales force or network of representatives responsible for all sales. For those forces, direct marketing provides the opportunity to minimize wasted sales efforts by calling on those who have expressed quantifiable interest. With the cost of an industrial sales call climbing out of sight, the cost advantage of qualified lead-generation is obvious. The sale of most capital goods implies a series of contacts with the prospect over a period of time, a superb use of direct mail. Reducing the cost of the initial contact yields not only greater profits but greatly increased productivity.

It is precisely for the gains in productivity—both of advertising expenditures and lowered sales force costs—that the non-direct response print ads in business are becoming extinct.

The types of businesses that use direct marketing to reduce sales costs are manufacturers of "high-ticket" office equipment, industrial equipment, building products, medical equipment, many types of wholesale finished goods, and components used in other manufactured products.

There is, also, wide use of direct marketing for goods which are purchased directly without the intervention of sales force. Typical are commercial products such as paper and stationery, business publications, and less expensive office machinery and supplies.

In recent years there has been a growing trend for high-ticket product marketers to offer direct purchase as well. Business catalogs commonly offer expensive computer and communications equipment, as well as furniture and other products. It is a rapidly changing world, indeed, and its growth will continue.

Exhibit 2-2
Estimated Business/Industrial
Direct Marketing Advertising Expenditures and Sales
(in billions)

	1977	1978	1979	1980	1981	1982	1983	1984+
Estimated advertising expenditure	$ 1.45*	$ 1.60*	$ 1.95*	$ 2.19*	$ 2.32*	$ 2.49*	$ 2.79*	N/A
Estimated sales	14.85	16.06	19.53	21.99	23.24	24.98	27.92	N/A

*Part of the Direct Mail Advertising Expenditure Figure.
+See explanation at bottom of p. 38.

Source: Direct Marketing Association Research Department, 1984

Consumer Goods and Services

The application of direct-response advertising to the consumer market is virtually limitless. While media change and new techniques are developed, the continued growth of the industry is certain. In the food and package goods categories, the direct marketing technique of couponing has undergone prolific growth. Virtually every major department store is publishing catalogs with increased frequency. New marketers of home electronic products such as video equipment and home computers are entering the direct marketing area in a steady stream. Insurance, home products, magazine subscriptions, service club membership, craft products, educational products, and clothing are just a partial list of our growing consumer direct-response categories. The list will continue to grow as consumers change shopping habits, as the effects of increased energy costs and the desire for convenience keep people out of cars and in the home. It is in the area of consumer goods marketing that recent technological developments have had great impact.

Leading Industries using Direct Marketing

- Periodical Publishers
- Food Stores and Distributors
- Mail Order Houses (Catalog Mailers)
- Department Stores
- Book and Record Publishers (Includes Book/ Record Clubs)
- Automotive Manufacturers
- Drug Manufacturers
- Book and Stationery Stores
- Newspaper Publishers
- Home Furnishing Stores
- Insurance Companies
- Credit Card Companies
- Financial Institutions

New Media such as interactive videotex systems are no longer blueprints but realities. Consumers are shopping—for almost everything—in the home, at their own convenience, in direct, electronic contact with sellers. Also new databases have "cracked" one of the last barriers left to direct marketers—consumer packaged goods. Information on brand use of such items as toiletries, health and beauty aids, food and beverages—all those categories generally thought inappropriate for direct marketing—is just now opening to our discipline. Coupon distributors and other data managers are now compiling names, addresses, brand preference, and usage characteristics. Direct marketers are using data to make direct and compelling appeals.

Expenditures in these new areas are not yet easily measured but are contributing to the total at an undeniably vigorous pace.

Exhibit 2-3
Advertising Expenditures of Direct Marketers

Company	Direct Marketing Advertising Expenditures 1983	1984
Figi's, Fingerhut, Michigan Bulb (American Can)	$113,200,000	$155,000.000
Spiegel Inc. (Otto—Versand)	83,090,700	127,727,300
National Liberty Marketing (National Home Life Assurance Co.)	64,100,000	83,400,000
New Process Co.	57,329,000	64,006,000
Metropolitan Life Insurance Co.	N/A	61,000,000
Hanover House Industries	40,000,000	48,000,000
Columbia House (CBS, Inc.)	35,000,000	37,154,000
Rodale Press Inc.	28,847,000	37,154,000
Colonial Penn Group	28,100,000	35,000,000
Grolier Inc.	27,700,000	30,000,000
New England Business Services	22,782,000	27,714,000
Carson Pirie Scott & Co. Direct Marketing, Inc. (Chris Craft, Ambassador, Arizona National Marketing)	35,200,000	26,700,000
Lillian Vernon Corp.	22,000,000	26,000,000
National Benefit Life Insurance Co. (Assoc. Madison Cos.)	20,000,000	20,000,000
Disabled American Veterans	12,292,261	12,546,398
Encyclopaedia Britannica U.S.A. (Encyclopaedia Britannica, Inc.)	6,300,000	7,300,000
Royal Silk, Limited	6,103,000	6,547,000
IDS/American Express (American Express)	4,200,000	6,100,000
Monumental General Ins. Co. (Monumental Corp.)	N/A	4,702,000
ITT/Educational Services, Inc. (ITT Corp.)	4,728,000	4,666,000
H.S. Stuttman Inc. (Marchall Chvendish Limited)	4,500,000	4,500,000
CIGNA Corp. Consumer Marketing Div. (CIGNA Corp.)	4,250,000	4,500,000
Crain Communications	2,850,300	3,997,400
Sportpages	4,500,000	3,800,000
Edmund Scientific Co. (catalogs: ES Industrial, ES Consumer, Robert Edmund)	N/A	3,639,000
Heath Co.	3,500,000	3,500,000
Nationwide Insurance	2,900,000	3,500,000
Bureau of National Affairs, Inc.	3,260,000	3,370,000
Exxon Travel Club	2,500,000	3,000,000
Omaha Steaks International	2,083,000	2,800,000
First Commodity Corp. of Boston	2,500,000	2,700,000
Downs' Collectors Showcase (S.C.J. Marketing, Inc.)	2,300,000	2,500,000
Sunset Magazine	2,200,000	2,500,000
Educational Products Inc.	2,500,000	2,000,000
Essence	2,042,000	1,780,200
Thayer Publishing Co.	1,500,000	1,600,000
Boston Proper Mail Order (United Overton Corp.)	1,139,100	1,548,900
United School of Christianity	1,500,000	1,500,000
Littleton Stamp & Coin Co., Inc.	1,500,000	1,500,000
National Business Furniture	1,500,000	1,500,000
Bullocks Wilshire (Federated Department Stores)	$417,000	1,423,100
The Association of the Miraculous Medal	1,100,000	1,300,000
Britannica Home Library Service (Encyclopaedia Britannica, Inc.)	1,120,000	1,200,000
Earl May Seed and Nursery Co.	1,167,000	1,136,000
Cy DeCosse Inc.	1,000,000	1,100,000
Monarch Trading Co.	800,000	1,100,000
The Christian Science Monitor	N/A	1,100,000
Mutual Protective Ins. Co.	N/A	1,025,000
Crest Fruit Co. (Standex International Corp.: Frank Lewis Alamo Fruit, Red Cooper)	1,350,000	1,000,000
Wright Line Direct (Barry Wright Corp.)	N/A	1,000,000
S. E. Rykoff & Co. (Rykoff/Sexton Food Division)	500,000	952,000
The Telephone Auction, Inc.	650,000	750,000
Metropolitan Life Insurance	N/A	750,000
Ideals Publishing Corp. (Thomas Nelson—magazines only)	679,000	745,000
Integon Life Insurance Co. (Integon Corp.)	668,000	734,000
Southwestern Bell Telephone Co.	964,000	702,000
J. E. Miller Nurseries, Inc.	850,000	700,000
Kemper Group	625,000	700,000
Homesteaders Life Co.	695,000	610,000
Commercial Travelers Mutual Insurance	495,000	597,000
Pacific Northwest Bell	515,000	585,000
American Stationery Co.	500,000	580,000
Bullock and Jones, Inc.	227,318	577,257
Bumpa-Tel, Inc. (Civic Supply Company)	400,000	575,000
Johnny Appleseed's Inc.	515,000	531,900
Merico Inc.	400,000	525,000
Techni-Tool	350,000	525,000
Gerber Life Insurance Co.	N/A	500,000
20th Century Insurance (20th Century Industries)	418,000	459,800
Albert S. Smyth Co.	398,000	184,000
Ottenheimer Co.	325,000	450,000
Penthouse Products (Penthouse International)	N/A	450,000
800 Software	412,000	414,000
Maryknoll Fathers and Brothers	300,000	400,000
Rio Grande Albuquerque	259,000	372,000
American Chemical Society	320,000	368,427
Daniel Smith Inc.	300,000	350,000
Scudder, Stevens & Clark	N/A	350,000

continued next page

Exhibit 2-3 (con't)
Advertising Expenditures of Direct Marketers

Company	Direct Marketing Advertising Expenditures 1983	1984
Parker Steel Co.	258,000	345,000
Foremost Insurance Company (Foremost Corp. of America)	148,050	325,500
Stickley Corp (10¢ Photo Co.)	200,000	300,000
Tested Advertising Techniques (Ennis Business Forms, Inc.)	128,000	240,000
World's Fare (Himark Enterprises, Inc.)	200,000	230,000
Ballet Makers	100,000	217,500
Collector's Armoury, Inc.	191,000	215,000
Fairfield Communications, Inc.	175,000	215,000
Curriculum Associates Inc.	135,000	215,000
Robert Morris Associates	184,000	212,000
Blue Cross and Blue Shield of S.C.	240,000	200,000
Albert S. Smyth Co., Inc.	398,000	184,530
Acute Care America	N/A	175,000
American Airlines Telemarketing Services (AMR, Inc.)	N/A	153,658
Precision Optical Co.	139,520	106,328
Bittners (Frazier Galleries Ltd.)	54,000	101,000
Generac Corp.	N/A	97,500
Aetna Plastics Corp.	N/A	97,000
Gulf Publishing Co.	78,634	85,348
Sports Production Inc.	50,000	80,000
Liberty Orchards Co.	75,000	72,500
Amer. Institute of Plant Engineers	49,750	61,801
Heritage Savings Bank	20,000	50,000
Stein Health Services Inc.	10,000	49,000
Lifeway Home Shopping Services	20,000	40,000
American Hospital Publishing Inc. (American Hospital Association)	6,000	32,000
Bausch & Lomb Consumer Products Div. (Bausch & Lomb Inc.)	20,000	24,000
United Educators, Inc.	15,000	15,000

Source: Direct Marketing Association Research Department, 1984
Based on figures provided by survey participants.

Exhibit 2-4a
General Direct Marketing Agencies*
U.S. Gross Billings

Agency	Billings (in millions) 1984	1983
Wunderman, Ricotta & Kline	159.0	124.2
Ogilvy & Mather Direct Response	133.0	95.0
Stone & Adler	72.7	55.8
Rapp & Collins	58.6	50.2
Grey Direct	56.8	39.6
Kobs & Brady Advertising	52.0	44.3
FCB Direct[1]	47.5	40.7
Chapman Direct Marketing	45.9	41.5
Ketchum Direct	42.0	24.5
Soskin/Thompson	41.9	36.6
MARCOA Direct	35.1	24.6
Direct Inc.	32.0	18.8
Barry Blau & Partners	30.8	21.4
BBDO Direct	30.7	24.4
DR Group	29.3	25.5
Ayer Direct	26.0	29.0
McCaffrey & McCall Direct Marketing	25.0	12.0
The Frank Vos Company	24.5	21.8
Fairfax Advertising	23.0	19.0
Scali, McCabe, Sloves Direct	20.7	14.0
Bozell & Jacobs Direct	20.1	14.7
March Direct Marketing	20.0	18.0
Brown Direct	15.3	6.7
Lawrence Butner Advertising	15.2	11.0
TLK Direct	13.6	11.5
DFS Direct	11.9	3.7
Bloom & Gelb	9.1	8.0
Nelson • Panullo • Jutkins Direct Marketing	8.6	5.2
Buchanan/Vinson/Rosenfield Direct	8.5	4.0
Taurus Marketing	8.0	5.0
Leber Katz Partners Direct Marketing	8.0	—
MacDantz Direct	7.3	1.6
Cramer-Krasselt Direct	6.6	5.4
Peter Vane Advertising	5.5	3.3
J.W. Prendergast & Associates	5.2	3.8
Muldoon Direct	5.2	3.2
Marschalk Direct Marketing	4.5	.8
Parsons & Kern Advertising	3.3	—
Wakeman & deForrest	2.9	1.3
Gerald Patlis Advertising	2.8	2.7
Woollard Advertising	2.6	1.5
D'Arcy Direct	2.6	—
Communique	2.6	—
Jacobs & Clevenger	2.0	1.2
Henderson Direct	1.2	.6
Cargill, Wilson & Acree	1.0	—

[1] Includes Smith-Hemmings-Gosden.

Source: DMA Research Department

Note: This list represents only those agencies who responded to a DMA request made in 1985 for their full-year 1983 and 1984 U.S. billings. All figures were supplied by the individual agencies, who were asked to include space and broadcast billings, billings for materials and services provided by organizations outside the agency, and capitalized agency fees. Please refer to Exhibit 2-4b on facing page.

Exhibit 2-4b
Integrated Direct Marketing Agencies*
U.S. Gross Billings

	Billings (in millions)	
Agency	**1984**	**1983**
The Direct Marketing Group	82.1	65.7
Krupp/Taylor	58.3	44.2
Allied Graphic Arts	52.2	48.0
Direct Marketing Agency	50.1	40.0
Epsilon	33.9	25.0
Hub Mail Advertising	28.0	21.5
Computer Marketing Services (CMS)	21.6	17.4
Direct Mail Corporation of America	20.0	17.5
Marketing Communications	13.2	9.8
Manus Direct Response Marketing	8.4	3.7
Karl Rove & Company	7.8	3.5
WOL Direct	7.6	6.0
Frank/James Direct Marketing Company	6.7	3.7

*Refers to agencies who also derive revenues from related businesses such as lettershops, database or printing operations.

Source: DMA Research Department

Note: This list represents only those agencies who responded to a request made in 1985 for their full-year U.S. 1983 and 1984 billings. All figures were supplied by the individual agencies, who were asked to include space and broadcast billings, billings for materials and services provided by organizations outside the agency, capitalized agency fees, and revenues derived from other direct mail activities. Please refer to Exhibit 2-4a on facing page.

Fund Raising

A significant but smaller category of direct marketing is the fund-raising industry. Currently, there are more than 250,000 holders of non-profit mailing permits, a fairly accurate measure of the scope of the industry.

In 1983, the American Association of Fund Raising Counsel, Inc., compilers and publishers of the fund raisings statistics, recorded total charitable donations of $60.39 billion. Historically, funds raised which are attributable to direct mail have constituted about a third of the total. The mail-related category, though, is very broad with only about one-quarter being direct solicitation. Other means of fund-raising are included in the direct-mail category besides the simple appeal for contributions. These include tickets by mail for performing arts groups, political donating, special trade union appeals, subscriptions sold as membership services, membership dues in non-profit organizations, and dues for fraternal organizations. The A.A.F.R.C. estimates that 60 percent of funds raised are from those renewable sources such as membership and subscription, and 40 percent are from new donor solicitations.

Just as business and consumer direct marketing is a common tool for very small businesses as well as large, there is considerable activity by small, local organizations such as clubs and religious organizations. In all, religious giving is, by far, the largest category in fund raising, followed by hospitals and other health services, educational institutions, social welfare groups, the performing and visual arts and humanities organizations, local civic and other public groups, and several other small categories.

Similarly, as the size of non-profit organizations varies, so does the sophistication of the direct-marketing fund raising techniques. For many smaller organizations, fund raising by mail can be as simple as one-time requests to members to support a new building program or a summer camp. This is contrasted to the very largest fund raisers who use very sophisticated list management and analytical techniques based on a predictable donor life cycle. The most sophisticated direct marketing fundraisers know how many will donate from a given list, how long they will donate, and what the affordable acquisition cost is by source.

Following are the total contributions for 1983 by category and type of donation compiled by the American Association of Fund Raising Counsel plus the DMA estimates of the mail-related totals.

Exhibit 2-5
Estimated Direct Mail
Charitable Contributions—1982

	(in $ billions)
Religion	7.76
Education	2.26
Health & Hospital	2.29
Social Welfare	1.74
Arts & Humanities	1.02
Civic & Public	0.45
Other	0.72
TOTAL	16.24

Source: American Association of Fund Raising Counsel, Inc., "Giving USA—1984 Annual Report," 1984/ based on figures from the USPS Household Mailstream Study.

Direct Marketing by Government Agencies

Other agencies such as Health and Human Services have conducted campaigns against smoking, housing discrimination and other areas of public interest. Direct mail is, of course, the most common medium of communication from our elected representatives both national and local.

The intensity of government efforts in the area of public information, however, has proven more a function of individual administration policy rather than the efficiency of the effort. President Reagan has allocated fewer dollars than did his predecessor. We have no prediction on the growth or decline in this potentially significant category.

Conclusion: The Direct Response of Direct Marketers

As the collection and application of information technologies proliferate, a word on the Orwellian implications is both irresistible and appropriate.

Though it is true that direct marketers know more and more about consumers, the DMA position on the responsible application of these data is unchanged. The appropriate use of information is to better meet the consumer's need—and nothing else. As an organization committed to the highest standards of ethical behavior, DMA will continue to work to prevent any practices which constitute unwarranted and undesirable intrusion into the affairs of consumers. Indeed, we believe that any practice, which seeks to know what our consumers would rather protect, is against not only the consumer's interest, but counter to the interests of the industry as well.

The world we are in, this age of information, is, for all of us, an opportunity to do more for more people than ever before. As for anyone ever involved in marketing, it represents the greatest opportunity yet to do more for ourselves.

Exhibit 2-6
Sales Volume of Direct Marketers

Company	Sales Volume	
	1983	1984
Sears Merchandise Group	$4,220,000,000	$4,463,000,000
J.C. Penney, Inc.	1,800,000,000	1,900,000,000
Montgomery Ward	1,190,000,000	1,300,000,000
Figi's, Fingerhut, Michigan Bulb (American Can)	512,000,000	637,000,000
Spiegel Inc. (Otto—Versand)	512,000,000	605,000,000
Colonial Penn Group	460,500,000	441,000,000
Time Inc.	385,000,000	435,000,000
New Process Co.	268,000,000	299,143,000
Columbia House (CBS, Inc.)	240,000,000	280,000,000
American Express (TRS co.—merchandise only)	180,000,000	265,000,000
L. L. Bean, Inc.	236,000,000	256,000,000
Hanover House Industries	215,000,000	225,000,000
Avon Direct Mail Division (Avon Products: James River Traders, Bright Creek, Avon Fashions)	144,000,000	186,000,000
Physicians Mutual Insurance Co.	156,100,000	178,500,000
Metropolitan Life Insurance Co.	N/A	173,600,000
Grolier Inc.	155,900,000	163,400,000
New England Business Services	110,140,000	137,430,000
Wausau Insurance Companies	110,000,000	135,000,000
National Liberty Marketing (National Home Life Assurance Co.)	116,200,000	127,000,000
AT&T Communications	122,000,000	120,000,000
Lillian Vernon Corp.	100,000,000	113,000,000
World Book, Inc.	100,000,000	100,000,000
Thousand Trails	75,000,000	100,000,000
ITT/Educational Services, Inc. (ITT Corp.)	73,000,000	98,000,000
Cabela's Inc.	70,000,000	98,000,000
Rodale Press Inc.	68,899,000	84,439,000
Carson Pirie Scott & Co. Direct Marketing, Inc. (Chris Craft, Ambassador, Arizona National Marketing)	100,000,000	83,000,000
Sharper Image	69,000,000	81,000,000
Bloomingdale's By Mail (Federated Department Stores)	30,000,000	50,000,000
CML Group Inc.	N/A	46,000,000
Exxon Travel Club	40,000,000	40,000,000
Disabled American Veterans	31,778,546	33,405,956
First Commodity Corp. of Boston	34,000,000	31,000,000
American Bankers Assoc.	26,000,000	28,000,000
National Benefit Life Insurance Co. (Assoc. Madison Cos.)	N/A	25,000,000
J.C. Penney Life Insurance Companies	25,200,000	24,292,000
REI-Recreational Equipment Inc.	19,500,000	23,400,000
Royal Silk, Limited	17,100,000	22,500,000
H.S. Stuttman Inc. (Marchall Chvendish Limited)	20,000,000	20,000,000
Techni-Tool	10,000,000	18,000,000
Johnny Appleseed's Inc.	16,000,000	17,800,000
Nationwide Insurance	N/A	17,000,000
20th Century Insurance (20th Century Industries)	11,000,000	15,300,000
The Telephone Auction, Inc.	13,000,000	15,000,000
Monumental General Ins. Co. (Monumental Corp.)	N/A	14,692,000
Sportpages	13,000,000	14,500,000
Crain Communications	11,877,000	13,434,000
Crest Fruit Co. (Standex International Corp.: Frank Lewis Alamo Fruit, Red Cooper)	14,000,000	13,000,000
Parker Steel Co.	12,000,000	12,500,000
Rio Grande Albuqurque	9,600,000	12,228,400
Fredrick's of Hollywood	11,937,000	11,879,000
Edmund Scientific Co. (catalogs: ES Industrial, ES Consumer, Robert Edmund)	14,180,834	11,754,739
Campmor	8,300,000	10,700,000
Stuart McGuire Co., Inc.	10,000,000	10,000,000
Sunset Magazine	9,000,000	10,000,000
National Business Furniture	8,000,000	10,000,000
CIGNA Corp. Consumer Marketing Div. (CIGNA Corp.)	6,500,000	9,000,000

Exhibit 2-6 (cont'd)
Sales Volume of Direct Marketers

Company	Sales Volume 1983	Sales Volume 1984
800 Software	6,000,000	8,000,000
Dunns, Inc.	5,000,000	8,000,000
Commercial Travelers Mutual Insurance	8,255,000	7,881,000
Kemper Group	5,055,000	6,810,000
Essence	6,237,023	6,737,312
Downs' Collectors Showcase (S.C.J. Marketing, Inc.)	6,000,000	6,500,000
Bureau of National Affairs, Inc.	4,532,000	6,100,000
Educational Products Inc.	7,500,000	6,000,000
Bullocks Wilshire (Federated Department Stores)	2,642,000	5,980,600
The Association of the Miraculous Medal	4,600,000	5,600,000
Littleton Stamp & Coin Co., Inc.	5,200,000	5,200,000
Tested Advertising Techniques (Ennis Business Forms, Inc.)	4,000,000	5,000,000
American Airlines Telemarketing Services (AMR, Inc.)	N/A	5,000,000
J. E. Miller Nurseries, Inc.	5,500,000	4,600,000
Bumpa-Tel, Inc. (Civic Supply Company)	2,600,000	4,600,000
Blue Cross and Blue Shield of S.C.	6,500,000	4,500,000
Boston Proper Mail Order (United Overton Corp.)	3,301,700	4,285,000
Foremost Insurance Company (Foremost Corp. of America)	987,000	4,200,000
Daniel Smith Inc.	3,000,000	4,000,000
Thayer Publishing Co.	2,900,000	3,900,000
American Chemical Society	3,468,000	3,714,000
Wright Line Direct (Barry Wright Corp.)	N/A	3,700,000
Sunbelt Sportswear	2,500,000	3,600,000
Pacific Northwest Bell	3,000,000	3,500,000
American Stationery Co.	2,500,000	3,200,000
Collector's Armoury, Inc.	2,600,000	3,019,000
Robert Morris Associates	2,300,000	3,000,000
Aetna Plastics Corp.	N/A	3,000,000
Southwestern Bell Telephone Co.	6,736,000	2,996,000
Ideals Publishing Corp. (Thomas Nelson—magazines only)	2,470,000	2,750,000
National Catholic Reporter	2,441,000	2,665,000
Maryknoll Fathers and Brothers	2,500,000	2,500,000
Monarch Trading Co.	2,000,000	2,500,000
Ottenheimer Co.	2,000,000	2,500,000
Ballet Makers	2,000,000	2,500,000
The Christian Science Monitor	N/A	2,500,000
Homesteaders Life Co.	2,211,000	2,313,000
Integon Life Insurance Co. (Integon Corp.)	1,600,000	2,000,000
Earl May Seed and Nursery Co.	2,007,000	1,874,000
S. E. Rykoff & Co. (Rykoff/Sexton Food Division)	900,000	1,800,000
Bullock and Jones, Inc.	550,000	1,750,000
Generac Corp.	N/A	1,700,000
Penthouse Products (Penthouse International)	1,200,000	1,500,000
Gerber Life Insurance Co.	1,000,000	1,500,000
Albert S. Smyth Co., Inc.	1,102,225	1,348,988
Curriculum Associates Inc.	1,100,000	1,300,000
Merico Inc.	1,010,000	1,270,000
Sports Production Inc.	600,000	1,110,000
Fairfield Communications, Inc.	1,000,000	1,000,000
Stickley Corp (10¢ Photo Co.)	800,000	900,000
Stein Health Services Inc.	490,000	740,000
World's Fare (Himark Enterprises, Inc.)	N/A	700,000
Liberty Orchards Co.	443,000	687,000
Lifeway Home Shopping Services	350,000	400,000
Precision Optical Co.	579,416	351,116
Amer. Institute of Plant Engineers	151,733	150,201
American Hospital Publishing Inc. (American Hospital Association)	85,685	88,020
Catholic Digest	75,000	75,000
Gulf Publishing Co.	64,450	53,180
Bausch & Lomb Consumer Products Div. (Bausch & Lomb Inc.)	20,000	24,000

Source: Direct Marketing Association, 1984
Based on figures provided by survey participants.

3

Business-to-Business Direct Marketing

by Geane Hanrahan
Trinet, Inc.

The American business market place is currently one of the most competitive markets in the world. American firms are not only competing with each other for their share of the commercial market but increasingly with foreign manufacturers as well. The business-to-business marketing process differs from that of the consumer marketer and, as the competition in this arena increases, the advertising and distribution skills required to survive and succeed become more critical.

In an effort to shed light on the business-to-business direct marketing process, this chapter has been divided into the following sections:

- Business-to-Business Marketing vs. Consumer Marketing
- Direct Marketing Applications
- Estimated Expenditures
- The Business-to-Business Advertiser
- Executive Reactions
- Effectiveness
- Lists
- Industry—Specific Research
- Business-to-Business Catalogs
- State-of-the-Art Research
- Conclusion

Business-to-Business Marketing vs. Business-to-Consumer Marketing

Some of the key areas that illustrate the differences between business-to-business and consumer marketing are as follows:

1. The Sales Cycle

A sale to a company generally takes longer than a sale made directly to a consumer. This is due, in part, to the fact that it is often difficult to find the decision maker or decision influencers within the prospect firm. In addition, once the "right" executive(s) has been identified, the decision making process is often longer, since the executive must justify his/her purchase decision to the company's satisfaction. For the most part, "impulse buying" does not exist in the industrial arena.

2. Advertising Access

Advertising access to executives is limited. On the job, they may read trade magazines, and direct mail newspapers, but rarely do you find them watching TV or listening to the radio.

3. Prospect Distribution

Generally, similar companies cannot be found in neat geographic clusters. There are exceptions to this, such as the garment district in New York, and Silicon Valley in California, but, for the most part, you are more likely to find a printing company next to a supermarket and across the street a Fortune 500 company that manufactures electronic equipment. Consumers on the other hand, tend to live in groups that reflect their mutual needs—i.e. singles, young families, low income, high income, etc.

4. Market Size

The industrial market place is significantly smaller than the consumer market place. There are approximately ten million businesses in the United States compared to over 70 million households.

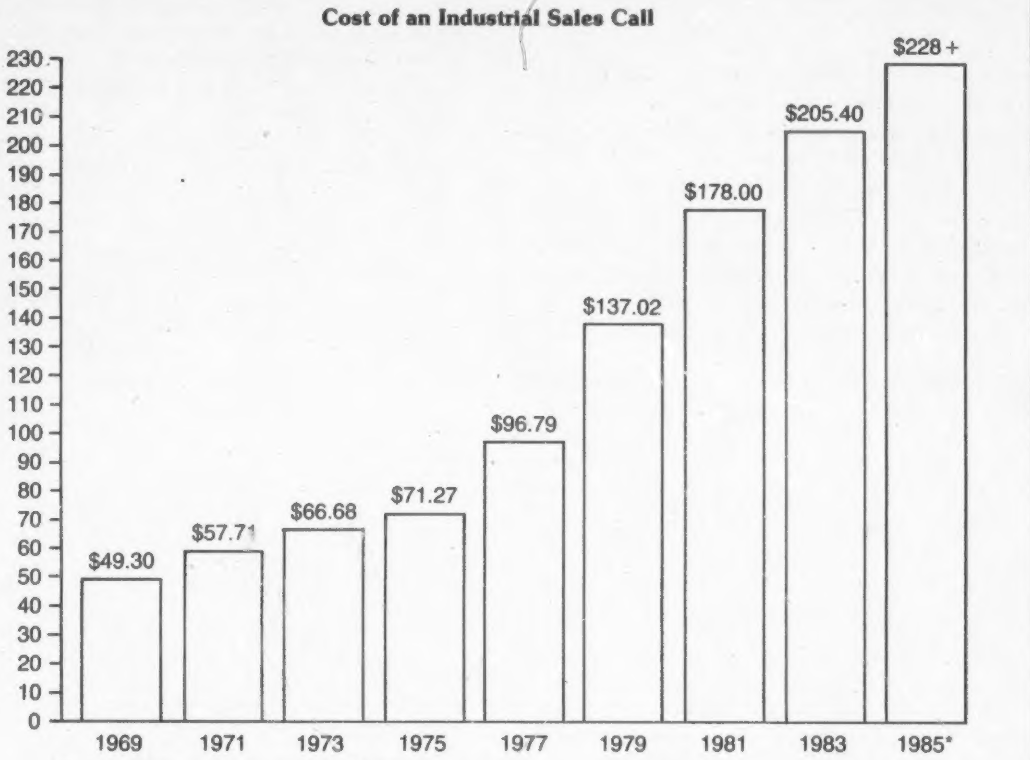
5. Sales Cost

The average cost of one industrial sales call is now over $200 (see Exhibit 3-1). The high cost of gasoline, coupled with the wide geographic distribution of prospects, contributes to this expense. Cold calling or "door-to-door" selling is too costly for the industrial marketer. In addition, when selling to industry, an average of 4.3 calls are needed to close a sale—indicating an average cost-to-close of over $800!

In an effort to meet competition, reduce the average cost of a sales call, soften the market place, and speed up the decision-making process, more and more business-to-business marketers are testing, refining, and turning to direct marketing—the fastest-growing new form of communication and distribution.

The fundamental question, of course, is how to define the direct marketing process in the business-to-business environment. This is not easily answered. For just like any other marketing process the direct marketing process is in a constant state of evolution—it is a strategic, dynamic

Exhibit 3-1

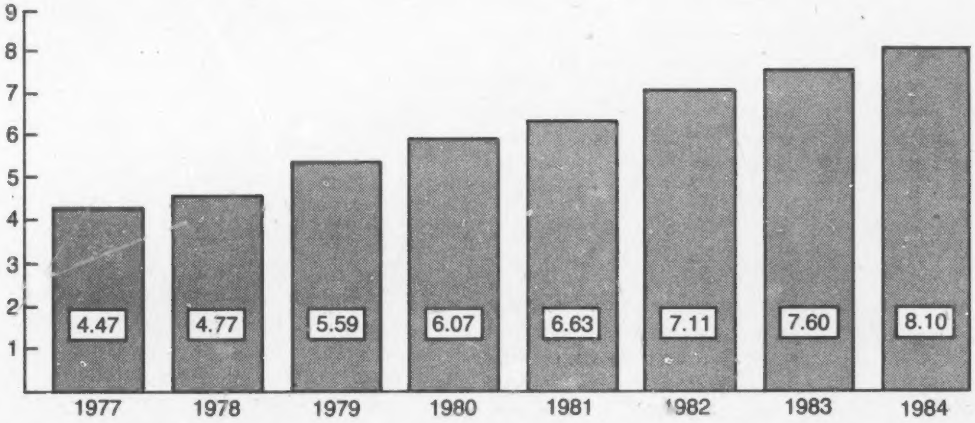


Source: McGraw-Hill Research, 1969-1983
*This 1985 figure is a DMA estimate, since McGraw-Hill's research has not been completed as of this publication date.

Exhibit 3-2

Cost of Average Business Letter

The average cost of dictating and transcribing a business letter moves up to $8.10. The 1984 figure represents a 6.6% increase over 1983's $7.60. This increase is primarily due to salary raises of both the dictator and the secretary. Other fixed costs, materials and mailing costs remained constant. The survey revealed that the use of word processing is more widely accepted but most businesses still use the traditional boss-secretary-typewriter mode of business correspondence. The cost for word processor letters is not included in the figures below.



Source: Dartnell Institute of Business Research, 1984.

process. As a point of reference, the current process can be defined as follows:

The business-to-business direct marketing process is a strategic tool based on the construction and maintenance of a database and utilized by business marketers to establish a dialogue with, classify, and market to industrial customers and prospects. Communication tactics used for implementation include, but are not limited to, direct mail, telemarketing, space, radio, and TV ads.

Although direct mail is only one of several tactics that can be used in the direct marketing process, it is significant to cite the results of a study conducted in 1980 by the Institute for Social Research in Michigan on the non-household (business-to-business) mail stream. Tabulated results showed that 11 percent of all first class mail and approximately 85 percent of all third class mail is business-to-business.

Direct Marketing Applications

One of the most common applications of business-to-business direct marketing is to prequalify prospects. Since cold calls have become too costly, sales managers are steering their sales force toward prospects who have expressed an interest in their product or service by responding to an advertisement. It is also used to:

- Test new products
- Test new product applications
- Achieve direct sales
- Reinforce the sales effort
- Introduce a new sales representative
- Distribute literature
- Create good will
- Build attendance at trade shows
- Conduct market research

In addition to the above, business-to-business marketers are also using the direct marketing process to create, supplement, and refine their in-house customer and prospect files. They are developing what is commonly referred to as the "in-house data base." Industrial marketers are beginning to recognize the value of market feedback in terms of classifying both customers *and* prospects over the long term. Relevant market data derived from responses *and* nonresponses can dictate subsequent marketing steps and lead to product refinement as well as on-target advertising.

Estimated Expenditures

It is difficult to determine precise business-to-business direct marketing expenditures. One method of estimating is to analyze the historical relationship between the total Direct Mail Advertising Expenditure and that of Industrial Direct Marketing which amounts to about one-fifth of the total dollar volume, or 22 percent. For 1983, the Direct Mail Advertising Expenditure is estimated at $12,692,240,000. Twenty-two percent of that total equals $2,792,000,000.

It is also estimated that, over the years, 10 percent of the total sales of business-to-business products and services is invested in direct mail marketing advertising expenditures. Using the estimate of 2.8 billion (rounded out) as the base, the total industrial sales volume resulting from direct-mail marketing comes to an estimated 28.0 billion. This represents an exceptionally successful advertising-to-income ratio estimate that is unique to business/industrial direct mail—due in part to the nature of the higher-priced business products.

Exhibit 3-3

Estimated Business/Industrial Direct Marketing Statistics (in billions)

	Estimated advertising expenditure	**Estimated sales**
1977	$ 1.45*	14.85
1978	$ 1.60*	16.06
1979	$ 1.95*	19.53
1980	$ 2.19*	21.99
1981	$ 2.32*	23.24
1982	$ 2.49*	24.98
1983	$ 2.79*	27.92
1984 +	N.A.	N.A.

*Part of the Direct Mail Advertising Expenditure Figure.
+ See explanation at bottom of page 38.
Source: Direct Marketing Association Research Department, 1984

The Business-to-Business Advertiser

In 1982 and, again in 1983, Wunderman, Ricotta and Kline, Inc., a direct marketing agency in New York, hired Response Analysis Corporation of Princeton, New Jersey, to conduct research on the business-to-business advertiser. The Response Analysis research group telephoned senior marketing and advertising executives from Fortune 500 companies. They were all involved in business-to-business selling of products and services. Following are the highlights.

1. 1982 Research

Questions on Sales Force Success and Costs. The answers to these questions suggest that many senior marketing and advertising executives do not have ready access to information on sales force activities.

- Over half (58 percent) said they did not know the percentage of sales calls to new prospects that result in sales.
- About half (48 percent) were not able to estimate the average cost of a sales call to one of their customers.

Current Problems With the Sales Force and Dealers. The key issues involve communication and control. Whether companies use their own distribution system or independent dealers, concerns about communication and getting attention were the most frequently mentioned.

- Almost a third (27 percent) said they don't know what the biggest problem was concerning sales force management.

- Another 27 percent claimed their biggest problem was communicating with their sales force.

Use of Direct Response Techniques. When asked about *specific* direct response techniques, the executives reported using a variety of them.

- About half (47 percent) of the executives mentioned direct mail first when asked to name direct response techniques.
- Overall, direct mail was the most frequently cited (83 percent) as a technique.
- The next most frequently cited techniques were magazine ads with direct response offers (63 percent) and telephone selling (54 percent). A small number of the executives (5 percent) said their companies use an agency that specializes in direct response advertising.

Use of Sales Records. While most executives (88 percent) said their companies maintain "data banks," their use appears limited to planning and budgeting.

- Few executives said anything about using these data banks to guide day-to-day sales efforts and activities targeted toward specific customers, and none mentioned their use in conjunction with direct response methods of selling.

Perceptions of Telemarketing Telemarketing did not seem to be widely understood among the executives as an organized procedure to assist or make sales.

- Most executives (62 percent) said something about using the telephone but did not indicate that it is a systematic, planned procedure—even though 28 percent said they have a "special telephone facility" in-house.
- About half (55 percent) said their companies use "800" numbers—but usage of the number is reported as being for customer information rather than for specific sales applications.

2. 1983 Research

Questions About the Organizational "Fit" of Direct Marketing. The responses indicated a deep penetration of direct response within the corporate units.

- Almost half (43 percent) of the Fortune 500 executives interviewed said they have direct marketing functions in more than three of their departments or divisions.
- The departments and divisions mentioned included, of course, Marketing, Sales, and Advertising, but not exclusively. Other departments mentioned were the Paper Division, Health Care Division, Semi-Conductor Division, Robots Division, Truck Department, and many more.

Specific Applications. Answers to questions regarding the use of direct marketing suggests that direct marketing is seen not only as a selling tool but also as a learning and communication strategy.

- The most important specific use of direct marketing is lead generation (44 percent).
- 22 percent said they sold direct via direct marketing tactics.

Management & Training. Responses did not indicate a clear cut method of managing the direct marketing process. However, its growing importance was indicated by the number of firms who train their managers in this field.

- There was an even split of respondents between those who claimed that the direct marketing function was managed centrally (48 percent) and those who claimed it was decentralized and delegated to autonomous departments (48 percent).
- More than a third (36 percent) said their company conducts Direct Marketing Training sessions.

Executive Reactions

Some firms use mail less frequently than they should because top management thinks their business prospects don't like to receive mail. That theory was advanced during a promotion budget meeting for a new product at IBM. Based on previous proven successes, a substantial portion of the budget had been earmarked for mail promotion.

The question was raised: "Even though mail gets results, if business people don't *like* to receive it, should IBM be investing so much of its budget in it?"

IBM hired an independent market research firm to determine the answer through a carefully-structured random sampling of the prospects for the new product. They found that mail not only works well; it's the *preferred communication* for business people. They like mail best. The IBM prospects were asked three key questions about the business mail they received.

1. When asked, "How do you prefer to hear about new office products?"
   28% sales calls
   7% magazines
   4% brochures or folders
   60% direct mail
2. When asked, "Is direct mail helpful or annoying to you in conducting your business?"
   75% said helpful
   21% annoying
   4% both

The annoyed 21 percent were then asked: "What other medium would you prefer?" More than half said, "Send me direct mail anyway," or "I'd prefer to get it than not get it."

3. When asked if they took some kind of action as the result of receiving IBM direct mail, 43 percent reported taking some positive action (some step forward in the sales process).

Source: Yeck Brothers Company

IBM's survey results simply add more evidence to the observation that direct mail is one of the most effective ways to reach business/industrial and professional executives.

Effectiveness

The following two studies show that mail can be effective with top executives.

1. Study #1

In 1980, a survey was sponsored by the Business Advertising Research Council of the Advertising Research Foundation (BARC/ARF). This study focused on the *addressees*, i.e. the executives who receive promotional material. A test group of 1500 executives who received a particular mailing was compared to a control group of 500 executives who did *not* receive the mailing. The survey was conducted by phone and generated 416 responses from the test group and 164 from the control group. It was found that the test group reported a higher factor of purchase consideration—20 percent compared to 13 percent in the control group.

Recall of the mailing itself registered a factor of 14 percent on an unaided basis. Of the respondents, 63 percent correctly identified the company by name. In addition, 16 percent recalled the mailing after being prompted. That's a total recall factor of 30 percent from top management direct mail recipients.

Of those who recalled the mailing, 32 percent claimed to have read or scanned through it. This represents eight percent of the total sample. Nearly half (49 percent) of the respondents who recalled the mailing correctly identified the form the mailing took as a letter and reply form.

Of those who recalled *reading* the mailing, 15 percent indicated they passed the information along. Other actions taken are indicated below:

	Recalled Reading	**Didn't Recall Reading**
Base	**33**	**68**
Discarded	46%	84%
Nothing at present	27	2
Passed along	15	9
Wrote	3	0
Filed/Held	0	4

© Advertising Research Foundation, Feb. 1980

In addition, the respondents who claimed to have read the mailing were asked which three product attributes from a list of six were mentioned in the text. The table below shows that better than 60 percent correctly identified the noted attributes.

	Recall Reading Mailing
Base	**33**
Time Saving*	70%
Efficient*	64
Pays for itself*	61
Space Saving	24
New Technology	24
Cleaner	21

*Actually mentioned in mailing

© Advertising Research Foundation, Feb 1980

2. Study #2

A few years ago NCR's Market Research Department discovered that bankers were not generally aware of NCR's leadership position as a supplier of Central Information File Systems. NCR turned to direct mail to create this awareness and mailed a short series of informative letters to bankers. After the mail program, the market research department restudied the situation with strikingly different results. Before and after the program they asked the same five questions. The "after" answers to all questions indicated an increased awareness of Central Information Filing. The answers to two of the questions were especially significant.

	Before Direct Mail Program		**After Direct Mail Program**
In the past month, have you noticed any advertising for Central information File Processing?	32%	Yes	65%
In your opinion, which manufacturer is the leader in providing Central Information File Processing?	18%	Burroughs	18%
	51%	IBM	30%
	30%	NCR	52%
	1%	Xerox	0%

The direct mail program increased the bankers' awareness of NCR's position from 30 percent to 52 percent, clearly proving that informative direct mail can be *effective*.

Lists

Basically, business lists can be broken down into three categories:

- Internal lists (house lists)
- External lists (compiled lists)
- Respondent lists (buyers)

Internal lists include customers, former customers, prospects, inquirers, stockholders, warranty card holders, etc.

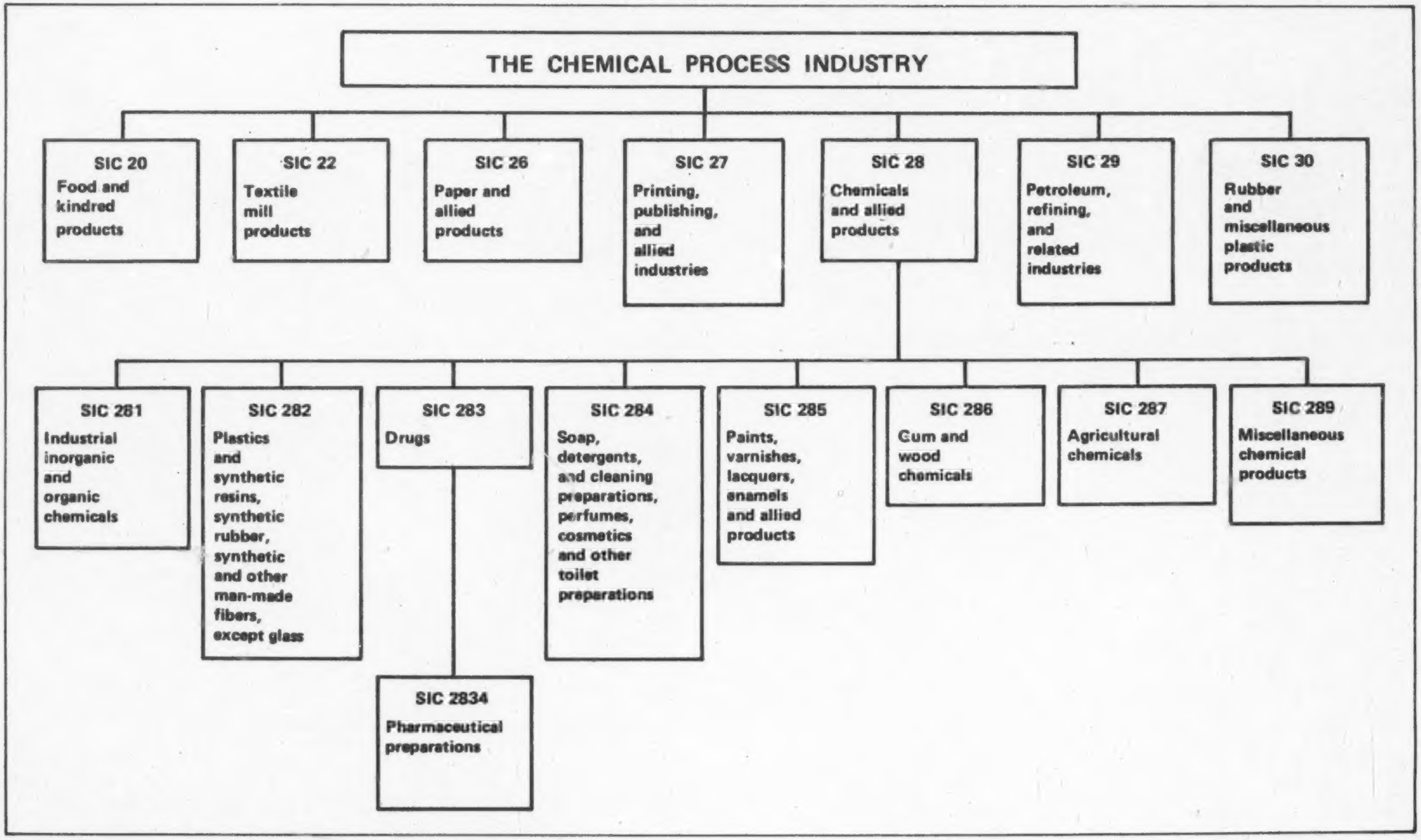
A company's customer list is important for two reasons:

1. It can be used as the starting point for market analysis, i.e. Who are my best, most profitable customers? Where are they located? What kind of business are they in? What size are they? A thorough analysis of present customers will help determine your best prospects.
2. A customer list can be viewed as an additional source of revenue. Many firms rent their customer lists to well-screened buyers.

External lists are compiled in various ways. A primary business list compiler gets information directly from the business establishments. A credit agency is an example of a primary source compiler. A "secondary source" compiler uses the yellow pages, trade association rosters, various directories, and other sources to compile a list.

Respondent lists include names of individuals and companies who have used the mail to effect an inquiry or purchase. Another company's customer list is a good ex-

Exhibit 3-4


THE CHEMICAL PROCESS INDUSTRY
SIC 20 Food and kindred products
SIC 22 Textile mill products
SIC 26 Paper and allied products
SIC 27 Printing, publishing, and allied industries
SIC 28 Chemicals and allied products
SIC 29 Petroleum, refining, and related industries
SIC 30 Rubber and miscellaneous plastic products
SIC 281 Industrial inorganic and organic chemicals
SIC 282 Plastics and synthetic resins, synthetic rubber, synthetic and other man-made fibers, except glass
SIC 283 Drugs
SIC 2834 Pharmaceutical preparations
SIC 284 Soap, detergents, and cleaning preparations, perfumes, cosmetics and other toilet preparations
SIC 285 Paints, varnishes, lacquers, enamels and allied products
SIC 286 Gum and wood chemicals
SIC 287 Agricultural chemicals
SIC 289 Miscellaneous chemical products

The Standard Industrial Classification (SIC) coding system.

The SIC was developed initially for use within the Government for statistical purposes. It is now used widely as a key business-to-business marketing tool.

ample. Trade magazine subscriber lists also fall into this category.

Most business lists are segmented by industry, or line of business. The United States Government's Standard Industrial Classification Code (SIC) is used for this purpose. The SIC is a numerical coding system set up to classify the total economy into different industry segments. Primarily, it categorizes all business activities into broad industrial divisions, then subdivides each into major groups and subgroups. Exhibit 3-4 on the previous page illustrates how this system works.

Use of the SIC code enables a list buyer to target potential customers. Additional selection factors are:

- Year business started
- Sales volume
- Net worth
- Number of employees
- Line of business (Standard Industrial Classification Code)
- Credit rating
- Company status (i.e. branch, headquarter, single location)
- Business trend—sales or number of employees on the increase or decrease
- Private/public
- Minority/non-minority owned
- Sex of key decision makers
- Interest of key decision makers (magazine subscriptions, club/trade association memberships)
- Direct mail respondent

Industry-Specific Research

The Business-to-Business Council (BTB), one of 11 special interest groups of DMA, is geared to the study of business-to-business direct marketing. In 1979, recognizing a need for more detailed information in this area, Council members launched the first study of industrial direct marketing practices by industry group. Conducted and donated by Dun's Marketing Services, a company of The Dun & Bradstreet Corporation, the 1979 study was of the office equipment industry. In 1980, the second annual study, also conducted by Dun's Marketing, was completed concentrating on the direct marketing practices of the printing industry. And in 1981, the target industry selected was wholesale firms in the durable goods area.

In an effort to maintain consistency for comparative purposes, a similar questionnaire was used in 1979, 1980 and 1981. All interviews were conducted by Dun's Research Department staff via the telephone. The research universe was identified by company size and Standard Industrial Classification Code. Following is a brief summary of the industry studies conducted thus far.

Exhibit 3-5

Summary of Business-to-Business Council Research by Industry

	1979 Office Equipment Manufacturers	**1980 Printing Industry**	**1981 Wholesale—Durable Goods**
Total # of respondents	500	1,307	735
Total using Direct Mail	169 (34%)	328 (25%)	300 (41%)
1. How important is direct mail in your marketing efforts?			
Critical or Very Important	25.4%	55.5%	44%
Somewhat Important	69.2%	34.5%	45.4%
Not Important	4.1%	9.1%	9.3%
2. For which of the following do you typically use direct mail?			
Direct Response Sales	68.0%	34.1%	31.0%
Inquiry/Lead Solicitations	89.3%	37.8%	35.0%
Announcements of New Products	82.2%	47.6%	64.7%
Price Lists & Changes	40.2%	21.3%	30.7%
Seasonal Promotions	34.9%	24.1%	na
3. Which of the following do you use to generate responses?			
Business reply card	85.2%	62.5%	59.3%
Business reply envelope	23.7%	32.9%	20.7%
Standard Telephone #	3.0%	na	9.3%
Toll-free Number	34.9%	29.6%	37.7%
Coupons	na	na	2.0%
Nothing	na	na	2.3%

(continued)

Exhibit 3-5 *(cont'd.)*

		1979 Office Equipment Manufacturers	1980 Printing Industry	1981 Wholesale—Durable Goods
4.	How frequently do you set objectives when mailing to prospects?			
	Always	29.0%	22.9%	16.0%
	Most of the Time	18.9%	20.7%	22.7%
	Rarely	16.6%	27.8%	30.7%
	Never	30.2%	27.7%	30.6%
5.	How frequently do you use test mailings to business prospects?			
	Always	2.4%	3.7%	2.0%
	Most of the Time	11.8%	14.3%	7.7%
	Rarely	19.5%	29.6%	26.0%
	Never	62.7%	50.9%	64.0%
6.	On the average, would you say the response rate to your customer mailing is . . .?			
	Under 1%	13.6%	8.8%	4.5%
	1-2%	25.4%	20.7%	20.1%
	2-3%	11.9%	15.9%	23.9%
	Over 4%	30.5%	39.5%	44.3%
7.	On the average, would you say the response rate on your prospect mailing is . . .?			
	Under 1%	13.6%	13.1%	8.4%
	1-2%	29.0%	29.9%	24.3%
	3-4%	21.3%	16.5%	27.3%
	Over 4%	23.7%	30.5%	32.3%
8.	Approximately what percent of your advertising budget is accounted for by direct mail expenditures?			
	None	—	1.5%	5.3%
	1-10%	17.2%	12.5%	24.7%
	11-20	21.9%	6.1%	12.7%
	21-30%	11.8%	10.1%	9.0%
	31-40%	3.0%	3.7%	5.0%
	41-50%	1.8%	9.8%	10.7%
	51-60%	7.1%	2.1%	2.0%
	61-70%	1.8%	3.6%	1.3%
	71-80%	1.2%	12.8%	7.7%
	81-90%	2.4%	7.0%	4.3%
	91-100%	1.8%	11.3%	5.0%
9.	Do you currently use telephone marketing to generate leads or sales?			
	Yes	na	54.6%	57.7%
	No	na	44.8%	41.0%
10.	Do you think generating leads by telephone marketing is . . .?			
	More effective than direct mail	na	42.2%	41.4%
	Less effective than direct mail	na	12.8%	26.0%
	About the same as effective as direct mail	na	40.3%	21.3%
11.	Do you measure conversion of leads into actual sales?			
	Yes	na	43.3%	27.3%
	No	na	55.8%	72.7%

Conducted by Dun's Marketing Services, a company of The Dun & Bradstreet Corporation, for the Business-to-Business Council.

Following is a size breakdown of the respondents *using direct mail*:

Exhibit 3-6

Size by Sales Volume of Respondents Using Direct Mail (1979/Office Equipment Manufacturers)

Under $2mm	$2-4.9mm	$5-24.9mm	$25mm+	Total
41	36	54	38	169
24.3%	21.3%	32%	22.5%	

1980/ Printing Industry
Size by Sales Volume of respondents using direct mail:

Under $2mm	$2-4.9mm	$5-9.9mm	$10mm	na	Total
128	106	54	34	6	328
39%	32.3%	16.5%	10.4%	1.8%	

1981/Wholesale—Durable Goods
Size by Sales Volume of respondents using direct mail:

Under $1.5mm	$1.5-3.9mm	$4mm+	Total
87	118	95	300
29%	39%	31.7%	

Conducted by Dun's Marketing Services, a company of The Dun & Bradstreet Corporation, for the Business-to-Business Council.

The complete extensive reports of the above studies are available to Business-to-Business Council members only. It is the objective of the Council to continue to build a library of information on direct marketing practices within industry.

Business-to-Business Catalogs

Since 1980, more and more firms selling to businesses have been turning to direct response catalogs as an alternative to the high cost of direct customer contact by sales personnel. And, according to Richard Hodgson of Sargeant House and author of *The Direct Mail and Mail Order Handbook*, as the number of business-to-business catalogs has increased, these catalogs have taken on many of the characteristics of consumer mail order catalogs. The following material on catalogs was prepared by Mr. Hodgson. It is based on a recent analysis of 100 business-to-business catalogs.

To evaluate the changes which have taken place in the business-to-business catalog field, Sargeant House, a catalog consulting firm in Westtown, Pennsylvania, conducted the analysis of 100 catalogs it received during the first half of 1983. While multiple catalogs were received from a number of different firms, the analysis does not include duplicate catalogs, but does include different editions of catalogs from the same firm.

The catalogs included in the analysis represent a wide range of different types of products, ranging from office supplies and business books to audio-visual equipment, maintenance equipment and supplies and business furniture. Approximately one-half of the catalogs analyzed featured office and computer supplies—the portion of the business-to-business catalog field which has grown most rapidly in recent years.

Format

Most business-to-business catalogs use a standard 8½ × 11" format, which easily fits into office files. Of the 100 catalogs analyzed, 87 were in this so-called "*Time*-size" format. Only three were digest size (5½ × 8½"), and another ten were in various other sizes.

One lesson business-to-business catalogs haven't learned from their sister catalogs going to consumers is the effectiveness of featuring specific merchandise on the cover (and indicating where that merchandise can be found in the catalog). Only 20 of the 100 catalogs took advantage of this sales-building technique. Thirty-two catalogs featured a montage illustration with representative items of merchandise; nine featured a special message; three had "a pretty picture," and the remaining 36 had only title information.

There were 54 pages in the average catalog, with an average of five items of merchandise per page,

The biggest change is the extensive use of color in business-to-business catalogs. Of the 100 catalogs analyzed, 46 were full-color throughout; 13 more were partially full-color; 27 were two-color, and only 14 were entirely black-and-white.

Response Devices

Even though only catalogs aimed at getting direct orders were analyzed, ten of the 100 failed to include an order form. Of the remaining 90 catalogs, 71 had one order form; 18 had two order forms, and three had more than two order forms.

Order forms were most often placed in the center spread position (43), or inside the back cover (34). Only 14 catalogs used a different order form position.

The average order form had lines for eight items, although many of the smaller catalogs used the so-called "laundry list" format, with every item in the catalog listed separately. This was particularly true of business books catalogs.

Reply envelopes were included in 49 of the catalogs (43 of these were attached directly to the order form). Only two of the catalogs had more than one reply envelope. Two others had an order form which folded into an envelope. Eleven of the catalogs had reply cards for ordering.

Following the trend of consumer catalogs, only 39 response devices used business reply postage-paid formats.

Credit

The majority of business-to-business catalogs offer credit. Of the 100 catalogs analyzed, 15 offered house credit, 54 offered MasterCard, 53 offered Visa, 32 offered American Express, ten offered Diner's Club and four offered Carte Blanche.

Telephone Ordering

The use of in-WATS telephone service has grown rapidly in the business-to-business field, just as it has in the consumer mail order catalog field. 62 of the 100 catalogs listed an 800 number for orders; 34 others featured a toll number for ordering. Only four of the 100 catalogs failed to list a telephone number.

Comments

While business-to-business catalogs have shown marked improvement in recent years, there is still less imagination and creativity than in the consumer mail order catalog field. Far too many catalogs simply copy the format and style of other catalogs, and, in all too many cases, it would be almost impossible to determine the sender of the catalog if you didn't look closely at the name on the cover or on the order form. Since, in any given field, there is a great similarity of merchandise and pricing (and far too often, the same vendors' photographs are used, and the copy sounds like a direct pick-up from another catalog), the look-alike nature of so many catalogs creates a lack of sales appeal.

However, the tide may be turning. In almost every field, a bellwether company is making an effort to create a truly unique personality, and reports indicate that such efforts are paying off in increased sales.

Exhibit 3-7

THE TYPICAL AMERICAN CATALOG

	Consumer*	**Business****	**Retail*****
	Mail Order	**Mail Order**	**Traffic Building**
Format			
8½ x 11	280	87	34
5½ x 8½	117	3	14
Other	103	10	52
Cover			
Merchandise	264	20	70
Pictorial	109	3	24
Image	62	36	2
Montage	55	32	24
Other	10	9	—
Pages	48	54	53
Graphics			
4 Color	377	46	83
Black & White	47	14	6
2 Color	38	27	3
Part Color	38	13	8
Items per page	5	5	7
Order Forms:			
Number — 1	400	71	58
2	84	18	1
3	5	2	—
More	1	1	—
None	10	10	41
Location			
Center	356	43	41
IBC	74	34	5
Other	67	14	13
Lines	10	8	7

(cont'd.)

Exhibit 3-7 ***(cont'd.)***

THE TYPICAL AMERICAN CATALOG

	Consumer*	Business**	Retail***
	Mail Order	Mail Order	Traffic Building
Shipping & Handling			
By $ of order	203	—	4
Sep. Chg. Each Item	111	2	27
Included in Price	40	7	—
Weight & Distance	22	5	5
Other	93	52	24
Special Charges			
Handling Fee	51	11	3
Insurance Fee	47	—	—
Other	13	6	—
Credit			
Visa	461	53	28
Master Card	461	54	28
Amex	339	32	26
Diners Club	138	10	5
Carte Blanche	75	4	—
House	52	15	68
None	19	27	—
Phone			
800	285	62	36
Paid	143	34	32
None	70	4	32
Envelope			
Part of Order Form	322	43	36
Separate	60	4	6
More than one	10	2	—
Fold & Make Env.	30	2	6
Order Card	1	11	—
None	86	41	52
Postage			
Place Stamp Here	325	20	33
Business Reply	97	39	15

*500 Consumer Catalogs
**100 Business-to-Business Catalogs
***100 Retail Catalogs

State-of-the-Art Research

In 1982, the Business-to-Business Council, in conjunction with DMA's Research Department, forwarded a direct-mail survey to 1,306 of the association's members in an effort to determine the level of sophistication of the business-to-business direct marketer. The survey consisted of 52 questions. Responses (completed questionnaires) totaled 218. The full research report is available to DMA Business-to-Business Council members. Following are a few highlights.

- ***Questions about Objectives and Response Evaluation.*** When asked about the advance determination of specific goals, strategies and budgets of direct marketing efforts, over half (57 percent) of the respondents replied that they almost always did this advance planning. Of the respondents, 28 percent said they did some of the time, but not always. Only ten percent of them claimed to never set goals.

  Again, over half (59 percent) almost always conducted a systematic evaluation of their pre-established goals, while 25 percent said they did so sometimes. Only two percent never evaluate program results.

- ***On Direct Marketing Expenditures.*** When asked what percentage of their advertising budget is accounted for by direct mail expenditures, almost half (41 percent) of the respondents claimed that 50 percent or more of their budget is allocated to mail. Over a third (35 percent) said less than 25 percent of their budget was spent on mail.

Respondents were asked to indicate the previous years' direct mail expenditures by range:

$100+ – 43%
50–99M – 10%
25–49M – 7%
5–24M – 16%
Under 5M – 10%
Not reported – 14%

- ***The Effects of Seasonality.*** Thirty-seven percent of the respondents almost always recognize the effect of seasonality on projections or forecasts. Another 35 percent said they sometimes do. When asked to indicate the top three months of the year in terms of responsiveness, the results were:

  Best months: January & September
  Second best: Sept., Oct., Jan., Feb., March
  Third best: Sept., Oct., March

- ***Internal Data Bases and the Use of the Computer.*** When asked if they maintained internal lists, either of customers or prospects, for promotional purposes, the vast majority (83 percent) said yes. Thirty-six percent of the respondents also indicated the size of their internal list to be 50,000 records or more.

  Asked if these lists were maintained on a computer, 76 percent responded positively.

  Over two-thirds of the respondents (68 percent) maintain their lists in-house, while 24 percent use an outside computer service.

- ***Questions On Lead Generation*** When asked how their lead or inquiry programs are managed, 68 percent claimed they are managed centrally by the home office. Only 11 percent said they were managed by individual sales offices.

  Regarding follow-up of leads generated, the majority (46 percent) send literature or follow-up mail. 29 percent turn them directly over to a sales rep, and 13 percent pre-qualify them by phone. Twenty-four percent use a process that includes all three of the above.

Conclusion

In conclusion, the direct marketing process is an important part of the overall marketing effort of most business-to-business marketers. It is a more complex process than consumer direct marketing, primarily because of the nature of the industrial buying decision, the number of decision makers and decision influencers involved, and the wide distribution of the industrial prospect base.

As a strategy, direct marketing requires the construction and maintenance of a database of customers and prospects. The business-to-business marketers who employ the process *as a strategy* and not merely as a short-term advertising tactic are arming themselves with market knowledge for the future and, thus, will be able to compete more effectively. Based on information accumulated from research surveys from 1979 through 1983, it appears that American business marketers are beginning to apply the computer more pervasively in basic areas such as list maintenance and performance evaluation. The next area of advancement may be in refining the art of database management and using computer applications to formulate forecasts and projections for sales and response over the long term. The ultimate objective should be to bring the marketer and buyer (or prospective buyer) closer together to ensure an on-going dialogue and, thus, a relevant, market-driven knowledge base.

4

Consumer Demographics, Psychographics and Behavior

Section I

A Study of Consumer Attitudes and Behavior

by Joseph Castelli

Ogilvy & Mather Direct

Introduction

Direct response marketing has enjoyed explosive growth in the past decade, and the opportunities exist for even greater growth in the future. Here are the conditions that are extremely favorable for the growth of direct marketing:

- More women are working; they have more money to spend, but less time to shop.
- The relatively high cost of gasoline makes it more expensive to drive to stores.
- Parking shortages and traffic congestion make in-store shopping less attractive in urban areas.
- Stores provide less and less personal service.
- The size and complexity of larger stores, with larger crowds and lower inventories, make shopping less pleasant.
- New technology provides ways to present products outside of stores and to order merchandise quickly and easily.

In order to capitalize on this enormous potential, it is important to understand the consumer. Therefore, in November 1978, Ogilvy & Mather Direct conducted a consumer survey to determine their attitudes and behavior regarding direct response. The study was conducted via telephone among 1,500 adults across the U.S.

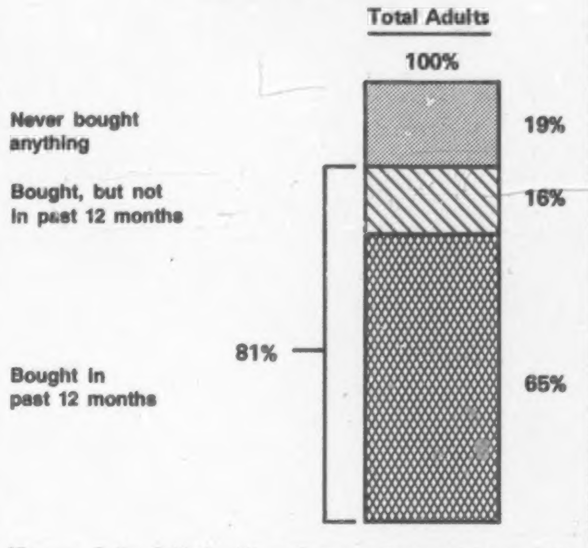
- How many buy through direct response
- What they buy
- Who these buyers are
- How much they spend
- Where the opportunities exist
- What the barriers are to increased growth

Major Findings

The question was how many people had *ever* bought anything through direct response marketing.

It was found that four adults in five had bought something by direct response at one time or another. And nearly two out of three had done so *during the past twelve months.*

Exhibit 4-1
Ever Bought Anything*
Through Direct Marketing:



*Source: Ogilvy & Mather Direct Response Consumer Study, 1978

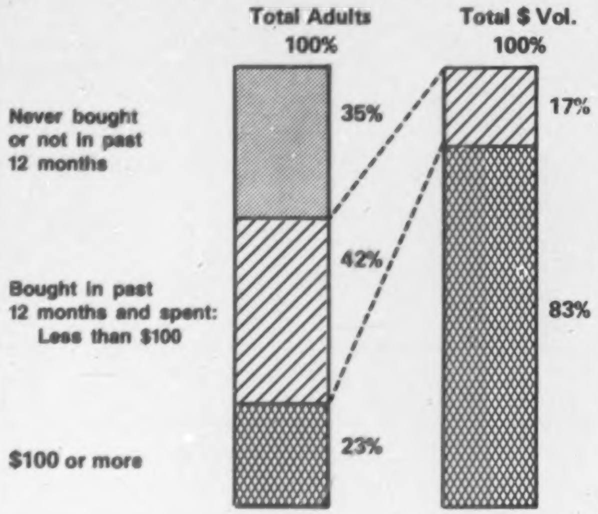
Now let's look at *how many* spend *how much* through direct marketing.

Thirty-five percent either never bought anything via direct response or didn't do so during the last twelve months.

Of the respondents, 42 percent spent *less* than $100 through direct response during the last twelve months, and 23 percent of all adults spent *more* than $100.

Another way of looking at the lower two sections of that first bar: a third of the people who did buy during the year spent *$100 or more.*

Exhibit 4-2
Direct Marketing:
How Much Was Spent*



Now look at the second bar. Those heavy spenders—the 23 percent of all adults who spent $100 or more—account for 83 percent of our total dollar volume.

We are getting 83 percent of our business from just under a fourth of all adults. That's a vivid reminder of the importance of identifying our best prospects and zeroing in on them. (See Exhibit 4-2.)

Our research identified the product categories in which people are most likely to buy via direct response. Here they are in rank order.

Exhibit 4-3
Percent of All Adults Who Bought via Direct Response in Last Year*

Product Category	
1. Magazines	54%
2. Books/book club memberships	33
3. Shoes, clothing	27
4. Records, tapes, cassettes	23
5. Credit cards	22
6. Seeds, plants, garden supplies	20
7. Film, film developing	18
8. Hobby or craft equipment, supplies	14

In each of eight categories, more than ten percent of all adults bought something by direct response during the year. The results indicate that more than half the people buy magazines by direct response, and that a third buy books in this way. We also found that shoes and clothing are bought direct by more than one person in four.

Here are the next 15 categories, in order of importance.

Exhibit 4-3 (cont'd)
Percent of All Adults Who Bought via Direct Response in Last Year*

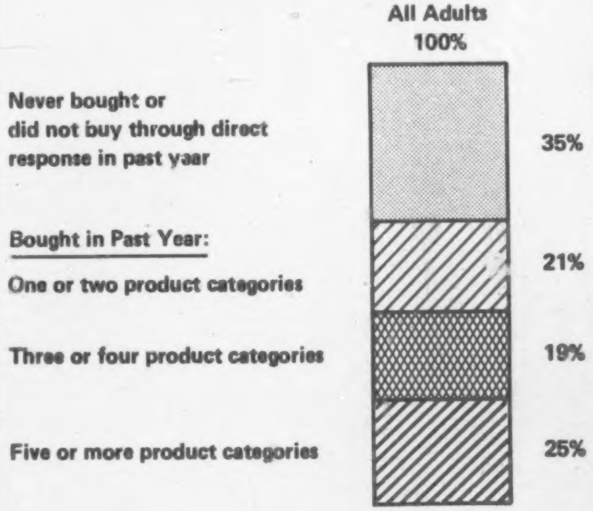
Product Category	
9. Housewares	10%
10. Foods	10
11. Automotive parts and supplies	10
12. Sewing or needlework supplies	8
13. Cosmetics or toiletries	8
14. Collectors' items (stamps, coins, etc.)	7
15. Hunting, fishing, camping equipment	6
16. Sports equipment and supplies	6
17. Vitamins or health remedies	6
18. Insurance	5
19. Home study program	5
20. Woodworking or metalworking tools and supplies	4
21. Home furnishings	4
22. Physical improvement program	3
23. Hi-fi or stereo equipment	3

We were surprised to find that ten percent of all adults bought *food* by mail during the past year, considering how easy it is to get almost anything you want to eat in a supermarket or in a gourmet shop.

On the other hand, look at categories 15 and 16: Hunting, fishing, and camping equipment—and sports equipment and supplies. Considering the very broad interest in them, it appears that direct marketers are not getting enough business from these categories.

And insurance seems incredibly low at five percent.

Exhibit 4-4
Number of Product Categories Bought in by Direct Response*



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*Source: Ogilvy & Mather Direct Response Consumer Study, 1978

Another way to measure the depth of the market is to ask how many of the people who buy through direct response buy in a number of different categories.

Again we start with 35 percent of all adults who either have never bought anything by direct response or didn't do so during the past year.

The significant figure is at the bottom. The largest single group of customers is the 25 percent who have bought in five or more categories during the year. That's one quarter of *all U.S. adults*.

So, the first thing learned from the research is that direct marketers are right to be bullish about their business. It's a big business; it's growing bigger; and huge numbers of people are willing to spend large amounts of money through direct marketing in many different product categories.

The research also looked for clues to the future to determine what the prospects are for continuing direct response growth—or even for speeding it up.

As discussed at the beginning of this article, there are a number of conditions present today that are favorable to the growth of direct response marketing. Given the presence of these factors, it may be fair to ask why this business is not growing at a faster rate. And here the research gives a few hints.

The most important product categories were looked at, each of them in terms of the percentage who said they prefer to buy that kind of product via direct response, but don't actually do it.

Exhibit 4-5
Percent of All Adults Who Prefer to Buy via Direct Response But Did NOT Buy*

Rank		
1.	Books	6.7%
2.	Collectors' items	6.4
3.	Film/Developing	6.2
4.	Seeds, Garden	5.1
5.	Hobby, Crafts	4.9

Above are the top five categories. They represent unrealized potential. Let's call them "sleepers."

Are those figures high or low? It depends on the category. You can determine this if you take the total percentage of adults who prefer buying the category through direct response and look at what percentage of them are "sleepers." Moving across the top, we see that of the 11.4 percent of adults who *prefer* to buy collectors' items by direct response, 6.4 percent did *not* do so. These "sleepers" represent 56 percent of the adults who prefer to buy collectors' items by mail.

The proportion of "sleepers" is relatively high for several other product categories, namely home study courses, insurance and sports equipment. On the other hand, it is relatively low for books, seeds and garden supplies, and shoes and clothing. These figures provide some clues as to where the opportunities exist for future growth.

Exhibit 4-6
Percent of All Adults Who Prefer Buying the Category by Direct Response*

	Total	But did *not* buy	Did *not* buy as percent of total with preference
Collector's items	11.4%	6.4%	56%
Home study courses	8.1	4.1	51
Insurance	5.9	2.9	49
Sports equipment	7.4	3.4	46
Books	29.7	6.7	23
Seeds, garden supplies	19.1	5.1	27
Shoes, clothing	18.5	2.5	14

Another way of improving your chances for success is to develop a deeper understanding of who represents your target market. People behave differently as consumers, according to their age, their income, the part of the country they live in, their way of life, and so on. This research has given us some sharper insights into some of these differences in behavior.

Let's take income as an example.

Exhibit 4-7
Income Segmentation*

Percent Who Bought via Direct Response Among Families With:

	Incomes over $25,000	Incomes under $25,000	Ratio
Home furnishings	8%	3%	2.7:1
Sports equipment	9	5	1.8:1
Food	15	9	1.7:1
Credit card	31	20	1.6:1
Auto parts and supplies	14	9	1.6:1
Books/book club membership	43	31	1.4:1

Look at the large differences in purchasing patterns between families with incomes *over* $25,000 and those with incomes *under* $25,000. The high income families are nearly three times more likely to buy *home furnishings* by direct response and nearly twice as likely to buy *sports equipment* and *food* by direct response.

In other categories, *age* is a key factor.

Exhibit 4-8
Age Segmentation*

Percent Who Bought via Direct Response Among People Who Are:

	Under 35	Over 35	Ratio
Home study programs	7%	3%	2.3:1
Film or film developing	23	13	1.8:1
Cosmetics or toiletries	11	6	1.8:1

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*Source: Ogilvy & Mather Direct Response Consumer Study, 1978

People under 35 are *more than twice* as likely to buy home study programs by direct response, and *nearly* twice as likely to purchase film and film processing or cosmetics and toiletries via direct mail.

While these particular figures may not surprise you, they at least reconfirm the importance of knowing how old your best prospects are.

Sometimes geography is what counts.

Exhibit 4-9
Geographic Segmentation*

Percent Who Bought via Direct Response Among People Living in:

	Western Region	Remainder U.S.	Ratio
Insurance	9%	4%	2.2:1
Vitamins/health remedies	9	5	1.8:1

Twice as many Westerners buy insurance by direct response as the rest of us—and then, to make sure they don't have to collect on it, they send off for twice as many vitamins and health products!

Also analyzed were the results in terms of consumer life-styles—or "shopping styles."

The study revealed that the population can be divided into four kinds of shoppers, with sharply different shopping habits.

Segment number one is called the "shopping for pleasure" group.

Segment two, the "conservative shopper."

Segment three, "the impulse buyer."

Segment four, "difficult to get to the store."

To grasp the differences among these segments, it helps to have an idea of how they were sorted out, and who is *in* them.

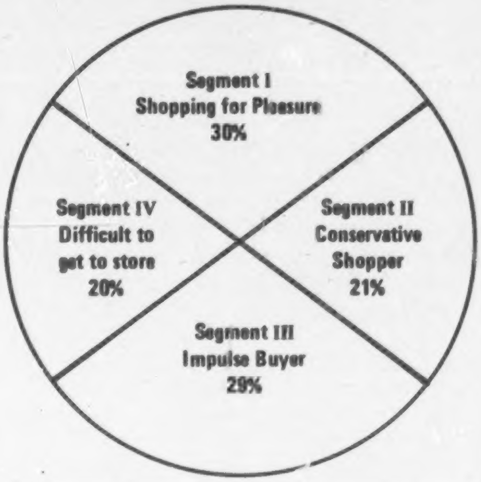
When interviewing these people on the telephone, one of the things conveyed to them was:

Here are some descriptions of people. For each one, please indicate if it describes you very well, somewhat, or not too well.

And here are a few of those descriptions:

1. *I try to buy gifts ahead of time so I don't have to shop at the last minute.*
2. *I try to compare prices before I buy.*
3. *I often buy things on impulse.*
4. *I like to buy from people who come to my home.*
5. *I enjoy browsing through stores.*
6. *I look forward to the mail every day.*

Exhibit 4-10
Life-Style Segmentation
Total U.S. Population*



Altogether there were 16 descriptions like that. The responses were put through what statisticians call a "cluster analysis" which revealed that the population clustered into four distinct groups.

For example, take those people who said that "I try to compare prices before I buy," described themselves very well. As a group, they shared in common a tendency to favor the same four or five descriptions. These descriptions seemed to add up to a portrait of a *conservative shopper*.

By contrast, the people who said that "I often buy things on impulse" described them well, tended to give high marks to a completely different set of descriptions—a set that was consistent with a picture of an "impulse buyer."

The same sort of thing applied to the other groups. In all four cases, the label was put on *after* the computer lumped together a cluster of descriptions. The computer's "cluster analysis" identified the four groups; all O&M did was name them. There are large variations in potential for direct response among these groups.

Exhibit 4-11
Segmentation By Lifestyle*

Percent of Adults Who Bought via Direct Response in:

Category	Best Segment Lifestyle	Percent	Worst Segment Lifestyle	Percent	Ratio:1
Shoes & Clothing	"Difficult"	35	"Conservative"	18	1.9
Records, Tapes	"Impulse"	31	"Conservative"	16	1.9
Hobby, Crafts	"Difficult"	21	"Conservative"	7	3.0
Collectors	"Impulse"	9	"Conservative"	3	3.0
Physical improvement program	"Difficult"	6	"Conservative"	2	3.0

*Source: Ogilvy & Mather Direct Response, November 1978

Exhibit 4-11 compares the percent of all adults who buy by direct response in the *best* of the four segments (from our point of view) with the percent buying in the worst.

- Thirty-five percent of those in the "difficult to get to the store" group bought shoes or clothing by mail, against only 18 percent of the conservative shoppers.
- Impulse buyers sent away for nearly twice as many records and tapes as did conservative shoppers.
- Advantages of nearly two to one. And the edge is *three* to one in the other categories.

In this group of product categories, the same two segments show up again and again as "best"—and a single segment as "worst" in all of them. Here's a closer look at one of the two "best" segments—impulse buyers.

There are 15 categories in which direct response marketing sales are significant. The impulse buyer ranks above average in nine of them. If your business is in records and tapes, you're 33 percent more likely to get an order from an impulse buyer than from somebody chosen at random from the other segments, 28 percent more likely if you sell collectors' items, 21 percent more likely if you sell foods.

Exhibit 4-12
The Impulse Buyer Ranks Above Average in Nine Categories

	Index v/s U.S. Average
Records, Tapes	+33%
Collectors' items	+28
Foods	+21
Credit cards	+16
Automotive supplies	+15
Cosmetics	+11
Books	+ 8
Magazines	+ 8
Vitamins	+ 4

Source: Ogilvy & Mather Direct Response, November 1978

The implications are obvious for planning your programs if your business is in these categories. You'd be smart to find out more about the impulse buyer—who she is (or he), what makes her tick, and so on.

If your business is *not* in these categories, you have to look for your edge elsewhere. This kind of research—segmentation by life-style—can point the way.

The potential value of life-style segmentation is immense. What we've shown here is just the tip of the iceberg. For example, wouldn't it be terrific if we could screen people according to their life-style segments *before* we send out our mailings?

Besides determining where the best opportunities for future growth exist and identifying our target market, we should look at what consumers are telling us. For example, in the O&M study, people were asked what would get them to buy *more* through direct response. (Exhibit 4-13) These consumers are trying to tell us something. More precisely, they are confirming something we certainly already know.

Exhibit 4-13
Consumers would Buy More via Direct Response if:

	Percent of all adults
1. They could be sure they would get what they expected.	79%
2. Offers were from companies they could trust.	78%
3. They were offered things they couldn't buy close to home.	77%
4. It were easier to return merchandise.	77%
5. They were given a money-back guarantee.	75%
6. The prices were lower.	75%
7. They were offered things that interest them.	71%
8. They were sent a receipt or confirmation of order.	70%
9. It were easier to get problems straightened out.	69%
10. The offers were from a well-known company.	64%
11. They were offered a free trial period to examine order.	61%
12. They were billed after order was received.	59%
13. They could pay over a period of time.	43%
14. They could use their credit card.	40%
15. They were given a charge account.	28%

Source: Ogilvy & Mather Direct Response, November 1978.

All the statements that have to do with "*trust*" in one way or another have been placed in a box. The top two—and those are huge numbers at the top, three of the top four, and five of the top eight all touch on "*trust*" in one way or another.

Only *one* of the top eight concerns *price*.

By contrast, all four at the *bottom* have to do with more convenient methods of paying.

In recent years the industry has worked very diligently in its efforts to build trust. The DMA Ethics Committee has made great progress toward establishing and enforcing standards. And, so many others have done so much. But evidently we aren't getting through to the customers. At least we aren't getting through *enough*, to enough of them.

The fact remains that the single most productive thing we can do is build trust.

Summary

- Our growth patterns appear healthy.
- To grow *faster*, we should determine who our best prospects are, and *where* they live.
- We should find ways to build *trust*.

Section II

Mail Order Usage Incidence by Product Type

(From Data Made Available by Simmons Market Research Bureau, Inc.)

Demographics gathered through personal interviews; product usage, and buying behavior gathered through self-administered questionnaires. This syndicated study is based on a stratified multi-stage area probability sample of 19,248 adults (18 and older).

Exhibit 4-14

Percent of Total Population Ordering Mail Order Items in Past 12 Months*

	Total U.S. (000)	Any Product	Cook Books	Book Club Books	Cosmetics	Records	Magazines	Photo Processing	Fruit, Cheese, Specialty Foods	Clothing	Vitamins
Total Adults	164,927	34.8	2.4	5.0	1.9	3.3	13.5	2.9	1.6	12.6	2.4
Males	78,156	29.9	1.1	3.3	0.5	2.9	11.8	1.9	0.9	7.2	2.0
Females	86,771	39.3	3.6	6.6	3.2	3.7	15.1	3.8	2.2	17.5	2.8
18-24	28,686	29.0	1.7	4.6	2.1	4.0	11.3	2.3	0.6	7.9	1.1
25-34	38,660	38.4	2.8	7.0	2.3	3.6	16.1	3.7	1.4	13.0	2.0
35-44	27,652	41.2	3.1	5.4	2.2	3.6	15.5	3.5	1.9	14.7	2.1
45-54	22,514	37.1	3.4	6.2	2.1	3.7	13.5	3.5	2.5	16.3	3.1
55-64	21,892	34.0	1.9	3.9	1.6	3.0	14.4	2.3	1.7	12.9	4.0
65 or older	25,524	27.7	1.5	1.9	1.0	1.8	9.2	1.5	1.5	11.7	2.8
Graduated College	25,861	45.3	2.5	8.6	2.5	4.7	18.4	3.7	3.0	16.0	3.6
Attended College	27,231	42.4	3.5	7.5	2.3	4.3	17.4	3.5	2.2	14.9	2.5
Graduated High School	65,755	35.4	2.6	4.7	2.2	3.1	14.1	3.3	1.2	13.2	2.3
Did Not Graduate High School	46,080	23.7	1.5	1.9	1.0	2.2	7.7	1.5	0.9	8.6	1.7
Professional/Manager	27,537	43.5	2.7	7.8	2.3	4.1	17.9	3.6	2.9	15.9	2.9
Clerical/Sales	26,625	41.4	3.3	7.0	2.9	4.6	18.1	3.8	1.8	17.6	3.0
Craftsmen/Foremen	12,051	31.3	0.8	3.0	0.3	3.0	11.8	2.0	0.9	7.1	1.5
Other Employed	29,848	31.6	1.9	3.9	1.9	3.3	12.2	2.2	0.7	10.0	1.7
Single	33,826	28.3	1.8	5.0	1.8	3.5	11.5	2.0	0.5	8.3	1.6
Married	102,816	38.0	2.7	5.4	1.9	3.4	14.8	3.5	2.0	14.1	2.6
Divorced, Separated or Widowed	28,285	31.1	2.2	3.4	2.2	2.9	11.4	1.8	1.4	12.6	2.5
Parents	59,203	39.3	2.9	5.8	2.3	3.6	15.0	4.3	1.6	14.3	2.2
Northeast	37,827	34.6	2.7	5.4	1.8	3.5	14.3	4.5	2.0	12.5	2.8
East Central	24,802	36.4	2.0	4.6	1.7	3.6	13.8	3.1	1.2	14.4	2.0
West Central	27,906	38.5	2.0	5.4	2.3	3.7	15.0	3.1	1.7	15.7	3.0
South	48,478	31.6	2.4	4.1	1.8	3.3	11.5	2.0	1.4	10.8	1.6
Pacific	25,914	35.9	2.9	6.1	2.3	2.5	14.3	1.6	1.6	11.4	3.1

Source: Simmons Market Research Bureau; 1983 Study of Media and Markets.
*For additional information, see Appendix I

(cont'd)

Exhibit 4-14 *(cont'd)*

Percent of Total Population Ordering Mail Order Items in Past 12 Months*

	Needlecraft Kits Supplies	Tools	Cookware, Kitchen Accessories	Trees, Plants, Seeds	Auto Accessories	Other Books	Insurance	Investment Information	Shoes & Boots	Audio Cassette Tapes
Total Adults	2.2	1.8	2.3	3.6	2.7	3.7	1.1	1.3	3.6	2.1
Males	0.6	2.5	1.2	3.0	3.9	3.8	1.0	1.6	2.7	2.0
Females	3.7	1.1	3.3	4.1	1.6	3.7	1.1	1.0	4.4	2.2
18-24	1.3	0.9	1.4	1.1	2.8	2.4	0.6	0.2	2.4	2.3
25-34	2.7	2.2	2.7	3.5	2.6	4.0	1.0	1.3	3.5	2.1
35-44	2.7	2.5	3.1	4.2	2.9	5.5	1.1	2.0	3.5	2.6
45-54	2.8	1.6	2.6	5.4	3.2	4.1	0.8	1.7	4.7	2.7
55-64	2.1	2.3	2.3	4.3	2.7	3.8	1.6	1.6	3.7	1.8
65 or older	1.7	1.0	1.6	3.6	2.1	2.8	1.3	1.0	3.9	1.0
Graduated College	2.9	2.4	4.0	6.0	3.4	6.7	1.2	3.7	3.9	2.8
Attended College	3.5	2.4	2.7	4.1	3.4	4.5	1.1	1.7	4.8	2.6
Graduated High School	2.3	1.8	2.0	3.1	2.6	3.3	1.0	0.7	3.7	2.4
Did Not Graduate High School	1.1	0.9	1.5	2.6	2.0	2.3	1.1	0.5	2.7	0.9
Professional/Manager	2.3	2.4	4.3	5.5	3.2	6.4	1.2	3.2	4.0	2.5
Clerical/Sales	3.4	1.9	2.2	4.7	2.5	4.3	0.7	1.5	3.9	3.2
Craftsmen/Foremen	0.9	3.0	1.5	2.2	4.5	4.0	0.7	0.7	2.8	1.5
Other Employed	2.2	1.6	1.8	2.6	2.8	2.5	0.9	0.8	3.2	2.2
Single	0.9	1.2	1.7	1.4	3.4	3.4	0.8	1.0	2.6	2.3
Married	2.8	2.2	2.6	4.4	2.8	4.0	1.1	1.4	4.0	2.2
Divorced, Separated or Widowed	1.6	1.1	2.1	3.2	2.0	3.2	1.2	1.0	3.4	1.4
Parents	2.7	1.9	2.4	3.6	2.5	3.7	1.1	1.1	4.2	2.3
Northeast	2.3	2.0	2.4	3.5	3.0	3.0	0.9	1.6	3.2	2.1
East Central	2.7	1.6	1.8	3.9	2.4	4.0	1.4	1.2	4.2	2.5
West Central	3.0	1.7	1.9	4.3	3.8	2.9	1.6	1.4	4.4	2.0
South	1.8	1.2	2.3	3.3	1.9	3.4	1.0	0.8	3.5	1.8
Pacific	1.7	2.7	3.2	3.2	3.0	6.2	0.7	1.5	2.8	2.4

Source: Simmons Market Research Bureau: 1983 Study of Media and Markets.

*For additional information, see Appendix I

Exhibit 4-14 *(cont'd)*

Percent of Total Population Ordering Mail Order Items in Past 12 Months*

	Total U.S. (000)	Any Product	Cook Books	Book Club Books	Cosmetics	Records	Magazines	Photo Processing	Fruit Cheese, Specialty Foods	Clothing	Vitamins
Metro Central City	49,257	32.2	2.5	5.5	2.0	3.1	13.6	1.9	1.5	10.3	2.6
Metro Suburban	75,633	35.5	2.4	5.0	2.0	3.3	13.2	3.0	1.6	13.0	2.1
Non-Metro	40,037	36.8	2.4	4.5	1.8	3.6	13.9	3.9	1.5	14.8	2.6
Household Income:											
$30,000 or more	52,796	41.7	2.5	6.6	2.3	3.8	16.4	3.4	2.5	15.5	2.9
$25,000 or more	69,021	42.0	2.8	6.4	2.4	3.9	16.4	3.5	2.3	15.6	2.8
$20,000-$24,999	19,541	36.8	3.0	5.1	1.9	2.9	14.7	4.1	1.4	14.5	2.3
$15,000-$19,999	17,519	35.1	2.8	6.4	1.7	3.7	14.5	4.9	0.8	12.5	2.7
$10,000-$14,999	25,410	29.1	1.9	3.7	1.5	3.5	11.9	1.6	0.9	9.3	1.8
Under $10,000	33,437	23.0	1.5	2.4	1.4	2.0	7.7	0.8	1.0	8.2	2.0
Household Size:											
1 Person	19,554	31.7	1.8	4.2	1.9	3.3	12.5	2.1	1.7	11.2	2.7
2 People	51,622	34.8	2.6	4.7	1.7	3.2	13.9	2.2	1.9	12.9	3.1
3 or 4 People	63,976	37.1	2.4	5.8	2.1	3.2	14.5	3.2	1.5	13.5	2.0
5 or More People	29,775	32.1	2.6	4.4	2.0	3.9	11.6	3.8	1.1	11.3	1.7
No Child in Home	93,450	33.4	2.3	4.6	1.7	3.1	13.2	2.1	1.6	12.2	2.8
Child(ren) Under											
2 yrs.	10,113	34.3	3.0	5.8	2.0	3.4	14.4	4.7	0.8	10.7	0.9
2-5 yrs.	25,963	38.4	2.5	6.4	2.5	3.3	12.9	3.6	1.8	12.7	1.7
6-11 yrs.	31,880	37.8	2.6	5.3	2.0	3.2	13.8	4.0	1.1	13.7	2.1
12-17 yrs.	35,529	35.5	2.7	4.5	2.3	3.6	13.5	4.0	1.6	14.3	2.1
Residence Owned	119,539	36.8	2.4	5.0	1.8	3.1	13.9	3.1	1.8	14.4	2.7
Value:											
$50,000 or More	66,517	40.2	2.8	5.5	2.0	3.2	15.7	3.4	2.3	15.9	3.2
Under $50,000	53,022	32.7	1.8	4.3	1.5	3.0	11.7	2.6	1.1	12.4	2.0

Source: Simmons Market Research Bureau: 1983 Study of Media and Markets.

*For additional information, see Appendix I

(cont'd)

Exhibit 4-14 *(cont'd)*

Percent of Total Population Ordering Mail Order Items in Past 12 Months*

	Needlecraft Kits Supplies	Tools	Cookware, Kitchen Accessories	Trees, Plants, Seeds	Auto Accessories	Other Books	Insurance	Investment Information	Shoes & Boots	Audio Cassette Tapes
Metro Central City	1.9	1.4	2.3	2.1	2.1	4.0	1.0	1.7	3.3	2.1
Metro Suburban	2.3	2.0	2.6	3.6	2.8	4.0	1.0	1.1	3.2	1.9
Non-Metro	2.5	1.8	1.8	5.3	3.3	3.0	1.2	1.0	4.5	2.4
Household Income:										
$30,000 or more	2.9	2.7	2.7	4.4	3.9	4.6	0.9	2.4	4.3	2.8
$25,000 or more	2.9	2.6	2.9	4.5	3.7	4.5	0.9	2.1	4.2	2.8
$20,000-$24,999	2.5	1.4	2.7	4.1	1.9	3.2	1.6	1.3	3.3	2.1
$15,000-$19,999	1.9	1.8	2.0	3.7	2.7	4.2	1.0	0.3	2.9	1.9
$10,000-$14,999	2.2	1.3	1.7	3.2	1.8	3.9	0.9	0.8	2.8	1.5
Under $10,000	0.9	0.7	1.5	1.6	1.9	2.1	1.2	0.4	3.3	1.2
Household Size:										
1 Person	1.8	0.9	2.5	2.5	1.9	4.0	1.5	1.4	3.9	1.6
2 People	2.4	2.3	2.7	4.4	2.9	4.0	1.1	1.7	3.4	2.2
3 or 4 People	2.2	1.6	2.1	3.5	2.8	3.9	1.0	1.1	3.7	2.2
5 or More People	2.2	1.9	2.1	3.1	2.7	2.7	1.0	0.8	3.3	2.0
No Child in Home	2.2	1.8	2.4	3.8	2.9	4.1	1.1	1.5	3.4	1.9
Child(ren) Under 2 yrs.	2.9	0.8	1.9	1.8	1.0	3.1	1.0	0.9	3.3	1.6
2-5 yrs.	2.3	1.8	2.4	3.7	1.9	3.6	1.1	0.7	4.6	2.0
6-11 yrs.	2.2	1.8	2.1	3.4	3.3	3.4	1.1	0.9	3.8	2.1
12-17 yrs.	2.3	1.8	2.2	3.3	2.7	2.9	1.1	1.1	3.7	2.3
Residence Owned	2.5	2.0	2.4	4.4	3.0	3.9	1.1	1.5	4.1	2.2
Value:										
$50,000 or More	3.0	2.5	2.8	4.9	3.4	4.4	1.1	2.1	3.9	2.5
Under $50,000	1.8	1.5	1.9	3.8	2.6	3.3	1.2	0.8	4.3	1.9

Source: Simmons Market Research Bureau: 1983 Study of Media and Markets.

*For additional information, see Appendix I

Section III

Markets: Changing Times

by Rose Harper
The Kleid Company

Every business requires a market, a demand for its product or service. A market is a population group, an industry, a geographical unit—an audience—with the authority, ability and propensity to buy.

Market research is essential in order to provide the facts about a potential market which can be input into the decision making process. Market Research is the gathering and analysis of data relating to consumer preferences, purchasing power and needs.

Frequently, the terms Sales and Marketing are linked—but their potentials are quite different. Any product's *Market* Potential is the total of the potential of the product category: if toothpaste, for example, the Market Potential is everyone with teeth. *Sales* Potential, though, is the *share* of the total market that a product can reasonably hope to capture.

Analyzing and defining the *target* market is what marketing is all about—whether we're selling business-to-consumer or business-to-business. And we can only do it effectively if we keep on top of the changes—and trends—that influence our marketplace and organize a marketing strategy responsive to the changing market.

In the consumer market (not only direct response, but any business selling to consumers), the traditional backbone of market research is Demography.

Demography is the statistical study of human populations, especially with reference to size, density, distribution and other external statistics. With this traditional approach, we profile our potential customers in terms of sex, age, marital status, family size, education, income, occupation, home ownership, etc.—based on the predominating characteristics of the "unit" under study. As technology developed, the geographical unit under study was redefined to cover smaller units such as census tracts or block groups. The smaller the unit, obviously, the more precise the demography.

With mathematical techniques—such as regression analysis—it is possible to determine the special combination of demographic factors to be found in our ideal customer. Further, the total potential universe can be calculated by matching this profile against the demographics of the national population. Product development itself usually starts with a profile: determining that a profitable market *exists* and can be reached and sold on a cost-effective basis.

The most apparent gap in the use of demographics is the lack of psychographic information. *Psychographics* suggest that people should be segmented into their preferences—the way they live—thus adding a new dimension to marketing concepts. The situation is this: *where* people live, even how much money they may earn, does not matter as much as *how* they live. In the last 20 years (approximately), new societal trends and values have shaped a new society.

Attitudes have changed. Attitudes about mortality and authority have changed. More balanced lives are evident requirements: Interest in health and physical well-being, new forms of recreation, material success, *but* not at the expense of self-fulfillment and individual potential.

Markets today, then, can't be isolated by demographics alone. The profile must be extended to include psychographics in order to understand how lifestyles and attitudes define and segment our market.

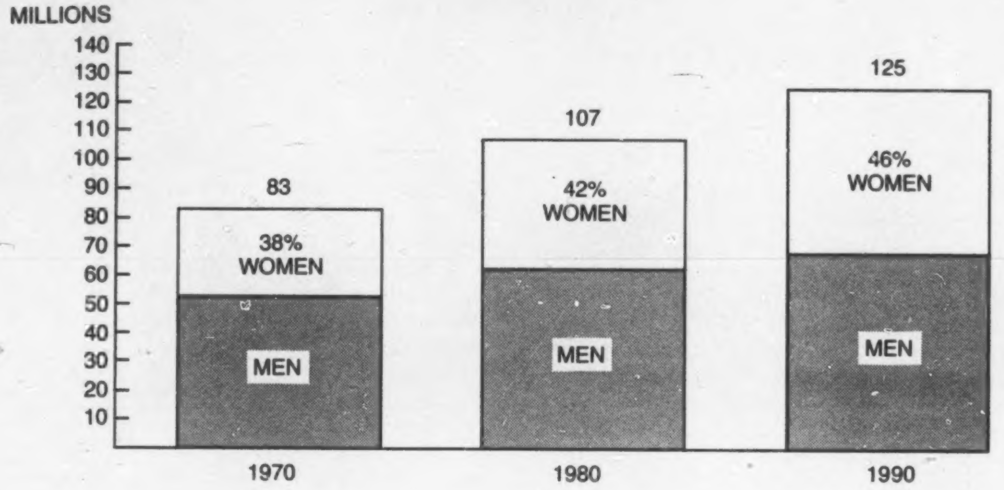
Exhibit 4-15
U.S. Population by Age: 1980, 1990, and 2000*
(in thousands)

Age	1980	1990	2000	Percent Change 1980-1990	Percent Change 1990-2000
<5	16,448	19,200	17,624	16.7	− 8.2
5-9	16,595	18,599	18,758	12.1	0.9
10-14	18,227	16,776	19,519	− 8.0	16.4
15-19	21,123	16,957	18,950	−19.7	11.8
20-24	21,605	18,567	17,126	−14.1	− 7.8
25-29	19,763	21,503	17,380	8.8	−19.2
30-34	17,824	22,003	19,007	23.4	−13.6
35-39	14,126	20,004	21,736	41.6	8.7
40-44	11,752	17,841	21,982	51.8	23.2
45-49	11,047	13,973	19,753	26.5	41.4
50-54	11,687	11,418	17,341	− 2.3	51.9
55-59	11,619	10,451	13,285	−10.1	27.1
60-64	10,134	10,639	10,494	5.0	− 1.4
65-69	8,805	10,006	9,110	13.6	− 9.0
70-74	6,843	8,048	8,583	17.6	6.6
75-79	4,815	6,224	7,242	29.3	16.4
80-84	2,972	4,060	4,965	36.6	22.3
85+	2,274	3,461	5,136	52.2	48.4
Total	227,658	249,731	267,990	9.7	7.3

*All figures are as of July 1, including the 1980 figures, which are Current Population Survey estimates based on 1980 census results.
Source: U.S. Census Bureau, American Demographics, January 1983

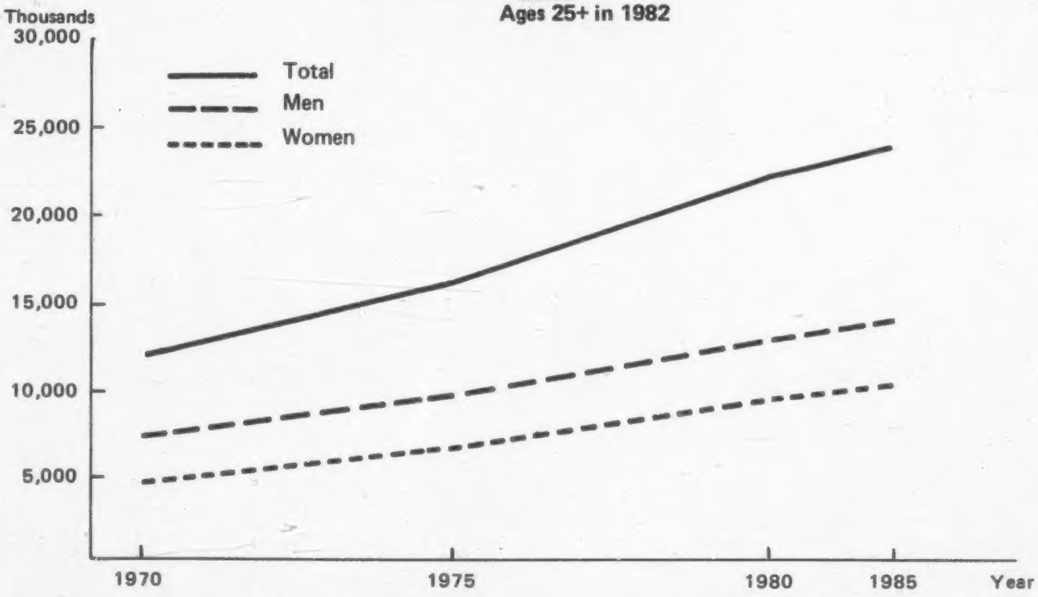
Exhibit 4-16

Labor Force by Sex



Source: American Demographics, 1984

Exhibit 4-17
College Educated Adults (in thousands)
Ages 25+ in 1982

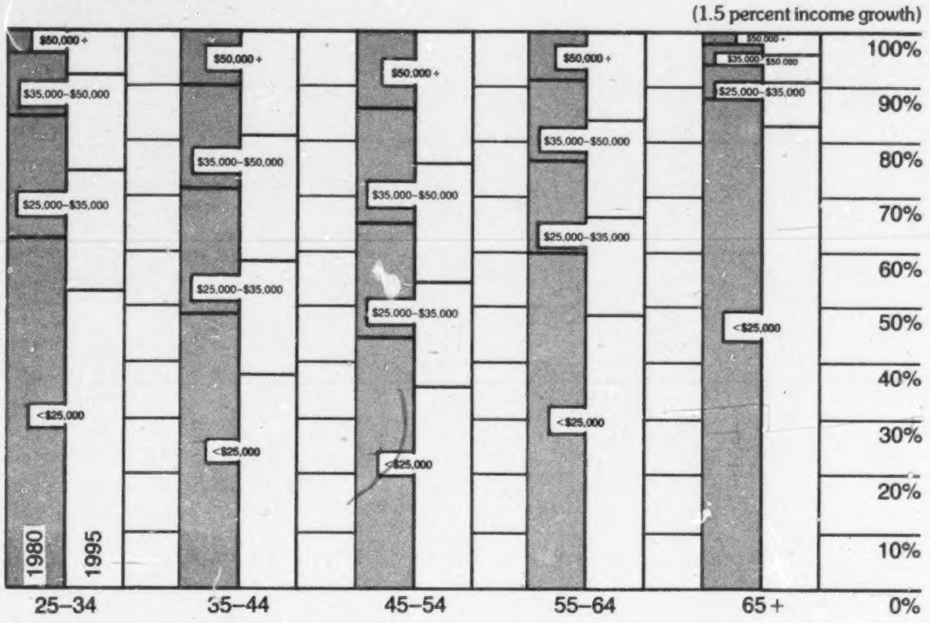


Source: U.S. Dept. of Health and Human Services, 1983.

Exhibit 4-18

Household by Age of Householder and Household Income: 1980 and 1995

The share of households with high incomes will increase among all age groups.



Source: American Demographics, February 1984

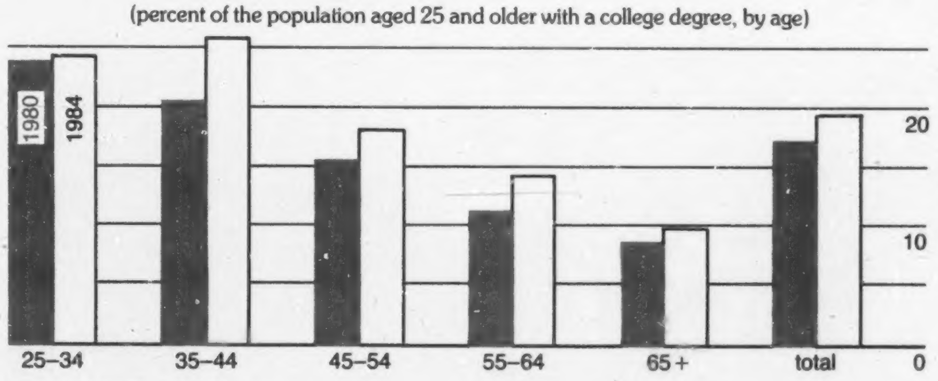
Exhibit 4-19

Educated Americans

Nearly one in five Americans has a college degree, up two percentage points since 1980, and up fully eight percentage points since 1970, when 11 percent had a college degree.

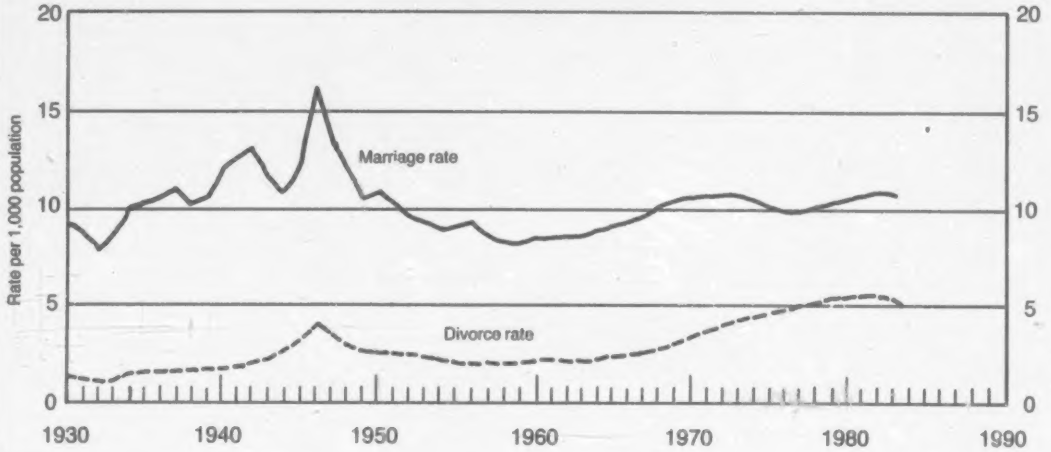
The number of college-educated Americans aged 25 and older rose 21 percent since 1980, to nearly 27 million in 1984, while the number of people with at least one year of college rose to 49 million, representing 35 percent of the adult population.

In 1984 only 38 million Americans, 27 percent of the population, did not have a high school diploma. Fully one-fourth of the nation's high-school drop-outs are aged 70 or older.



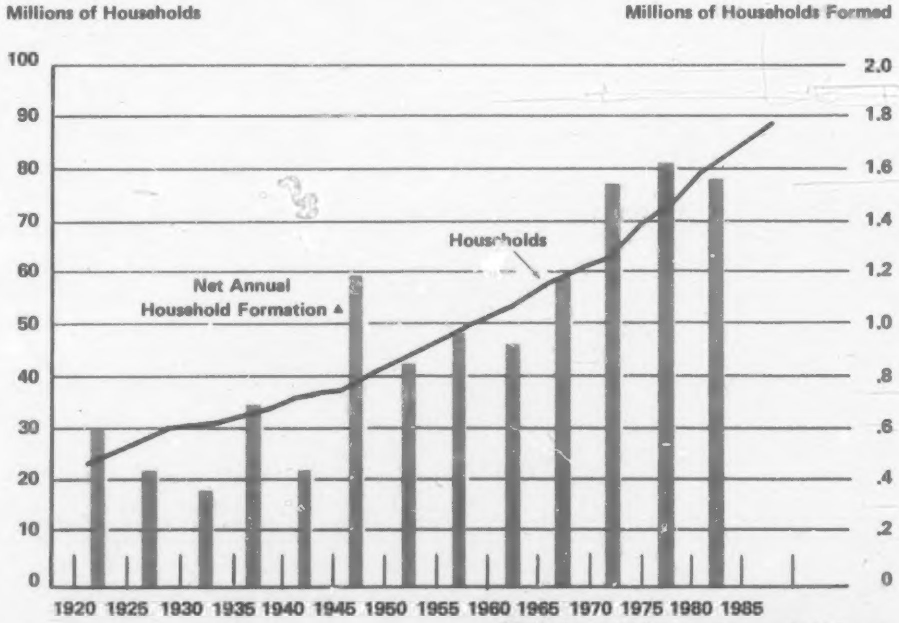
Source: U.S. Bureau of the Census, 1984

Exhibit 4-20
Marriage and Divorce Rates:
United States, 1930-1983



Source: U.S. Dept. of Health & Human Services, 1984

Exhibit 4-21
Households and Household Formation

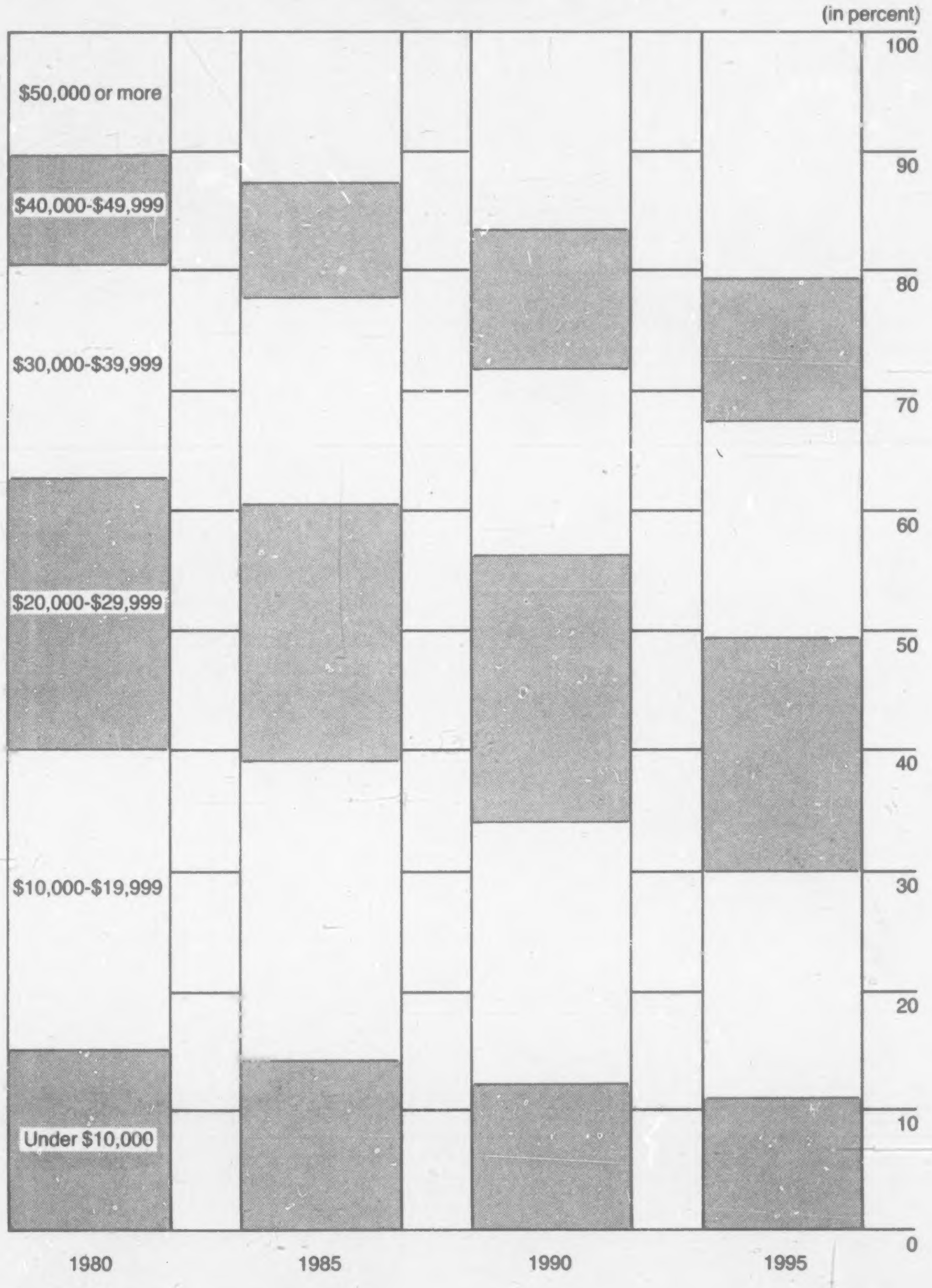


▲ Annual Average Based on Five-Year Period

While the rapid increase in household formation should stabilize in the 1980s, total households will continue to grow at 1.5 million annually.

Source: U.S. Dept. of Health & Human Services

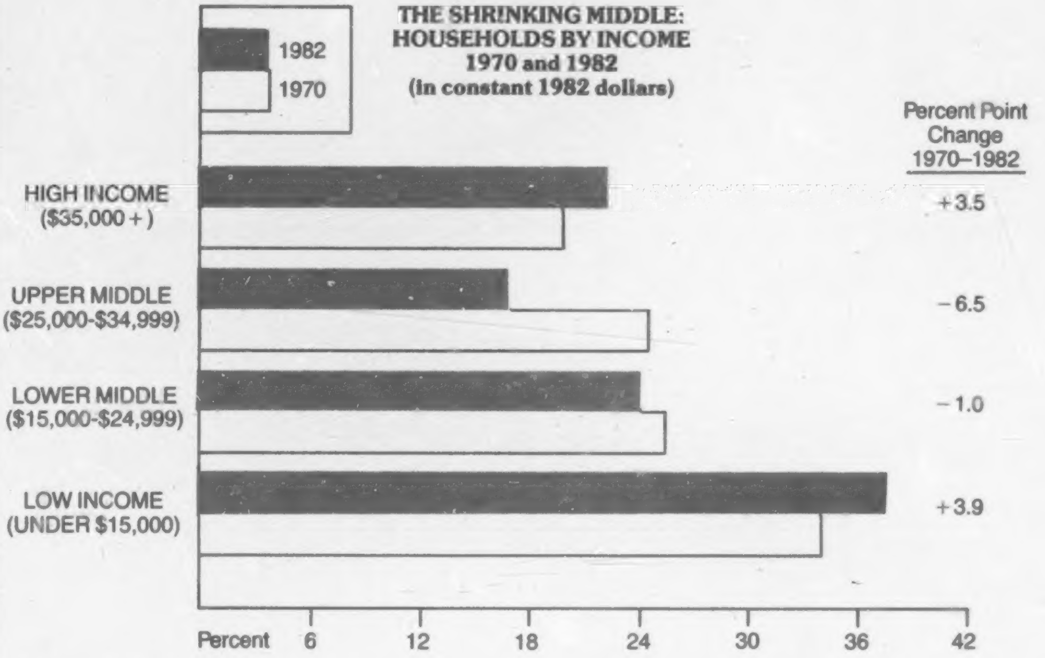
Exhibit 4-22
Families by Income: 1980-1995



Source: American Demographics, May 1984

Exhibit 4-23

THE SHRINKING MIDDLE: HOUSEHOLDS BY INCOME 1970 and 1982 (in constant 1982 dollars)

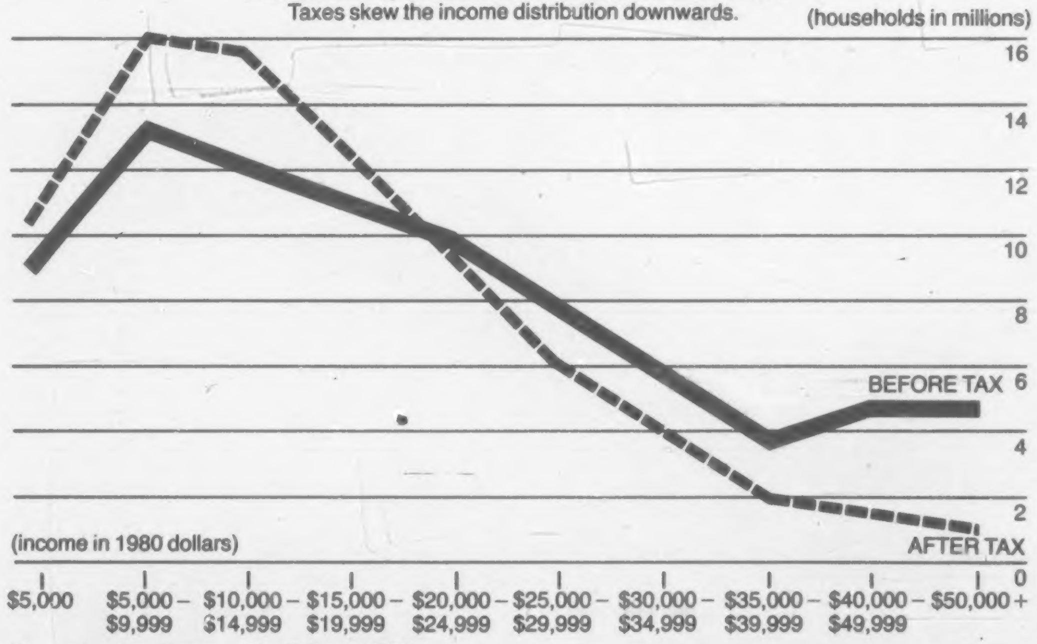


Source: American Demographics, May 1984

Exhibit 4-24

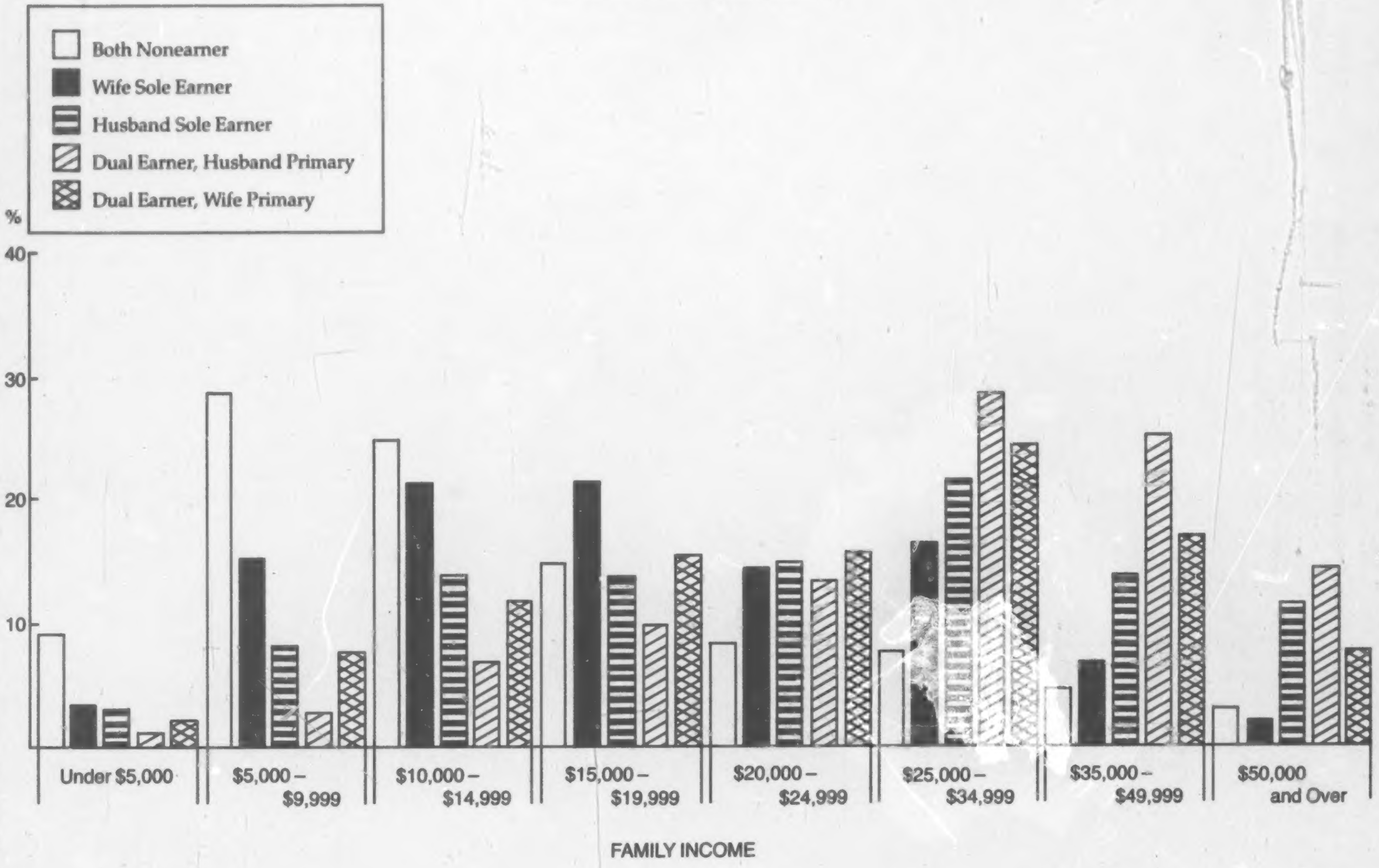
Households by Before- and After-Tax Income in 1980

Taxes skew the income distribution downwards.



Source: American Demographics, February 1984

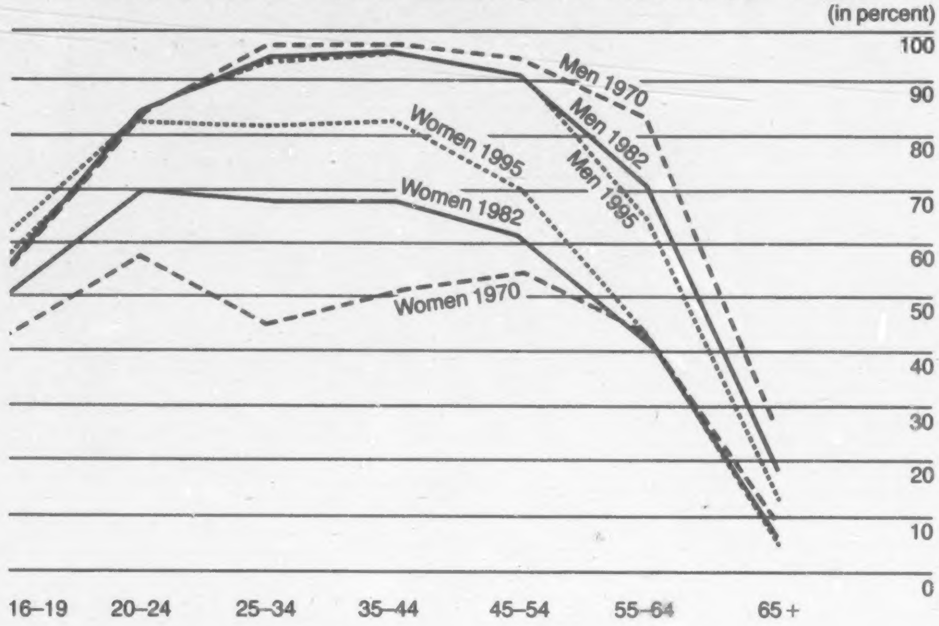
Exhibit 4-25
Couples' Earnings Characteristics



Source: American Demographics, July 1984

Exhibit 4-26

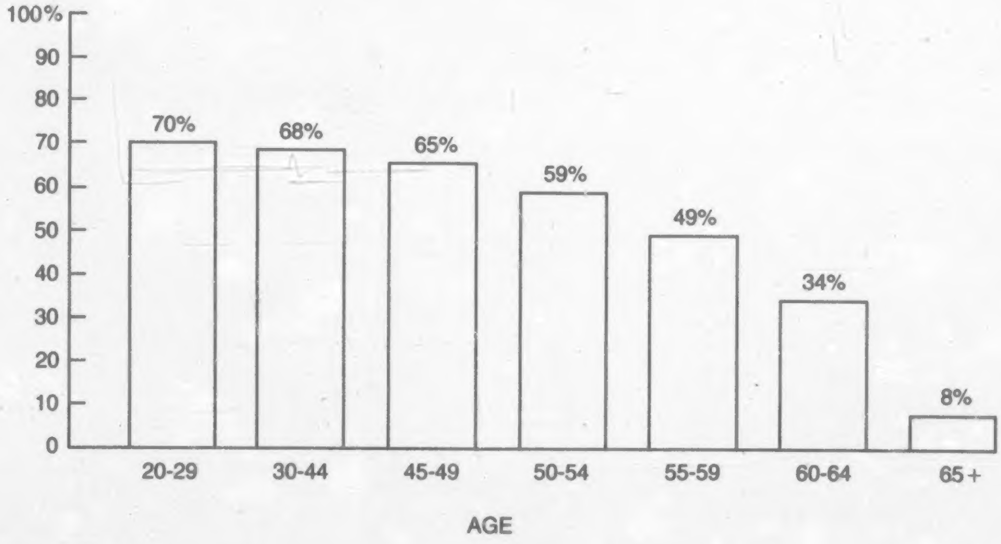
Civilian Labor Force Participation Rates for Men and Women by Age: 1970-1995



Source: American Demographics, March 1984

Exhibit 4-27

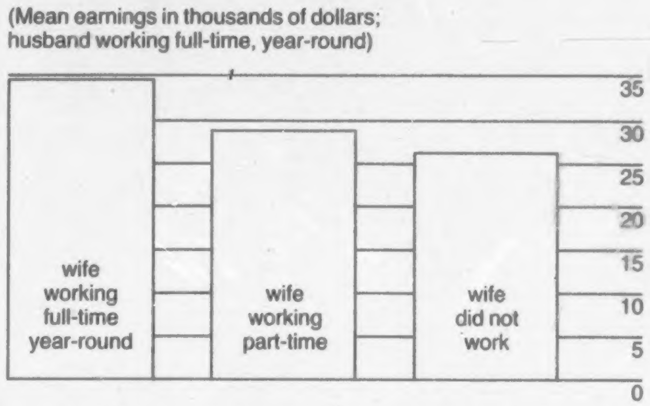
Women in the Labor Force by Age, 1983



Source: American Demographics, 1984

Exhibit 4-28

Earnings of Married Couples by Wives' Working Status: 1981

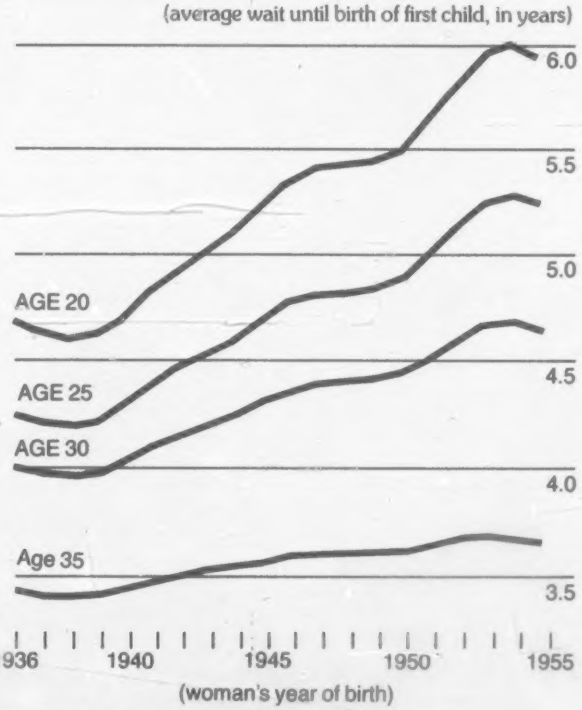


Source: U.S. Census Bureau, American Demographics, August 1984

Exhibit 4-29

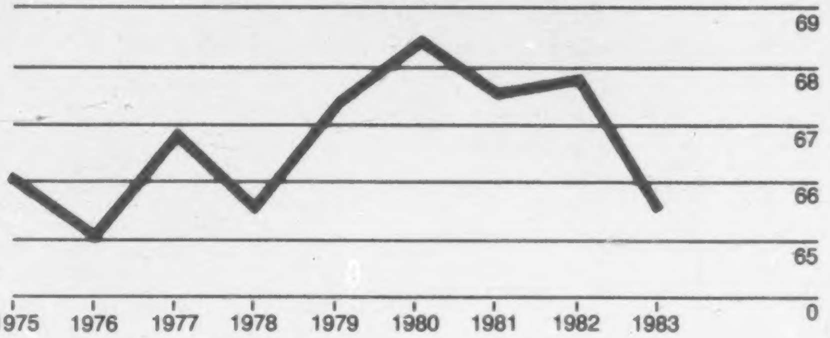
Women Delay Childbearing

For women who are childless at age 20, the average wait until their first birth is nearly six years and has increased sharply for younger generations of women.



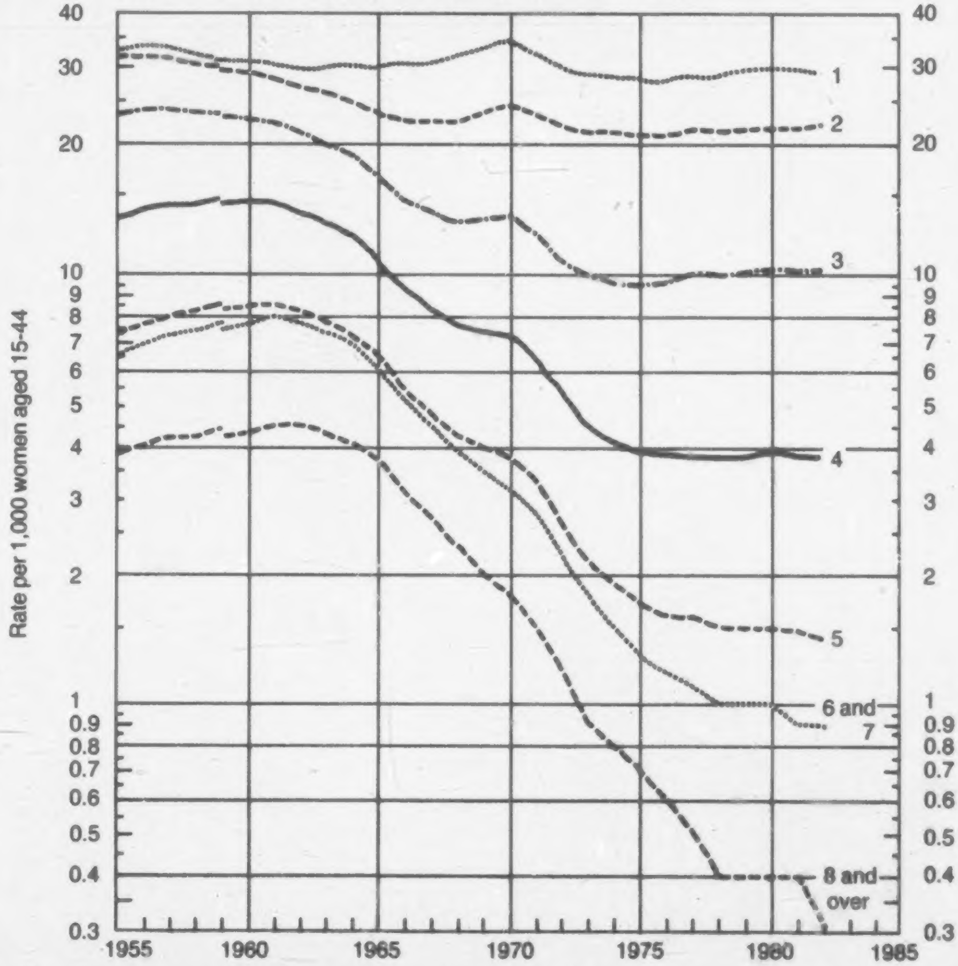
Source: American Demographics, September 1984

Exhibit 4-30
Births per 1,000 Women Aged 15-44: 1975-1983



Source: American Demographics, July 1984

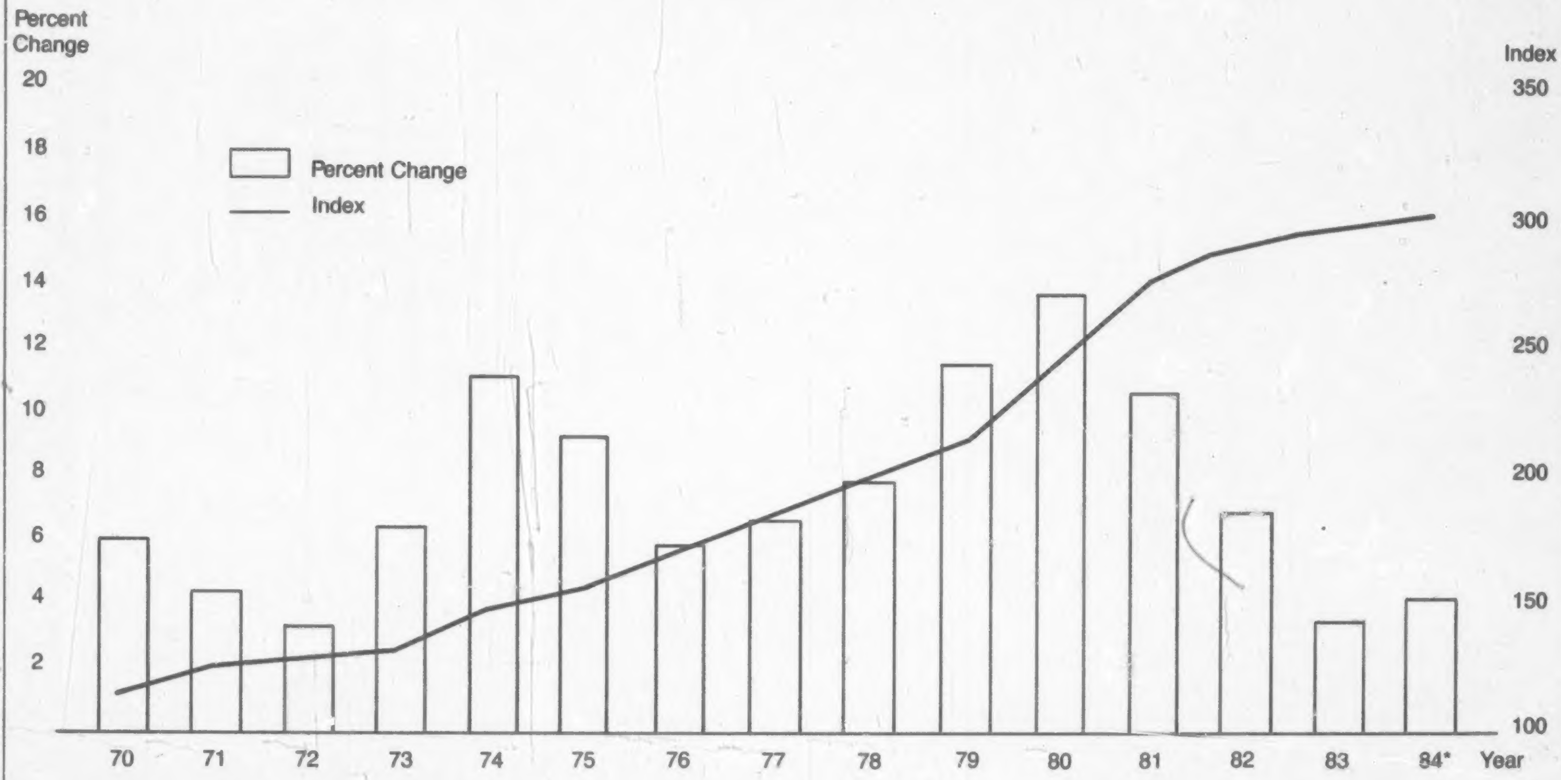
Exhibit 4-31
Birth Rates by Live-Birth Order: United States, 1955-82



NOTE: Beginning with 1959, trend lines are based on registered live births; trend lines for 1955-1959 are based on live births adjusted for underregistration.
Source: National Center for Health Statistics, 1984

Exhibit 4-32

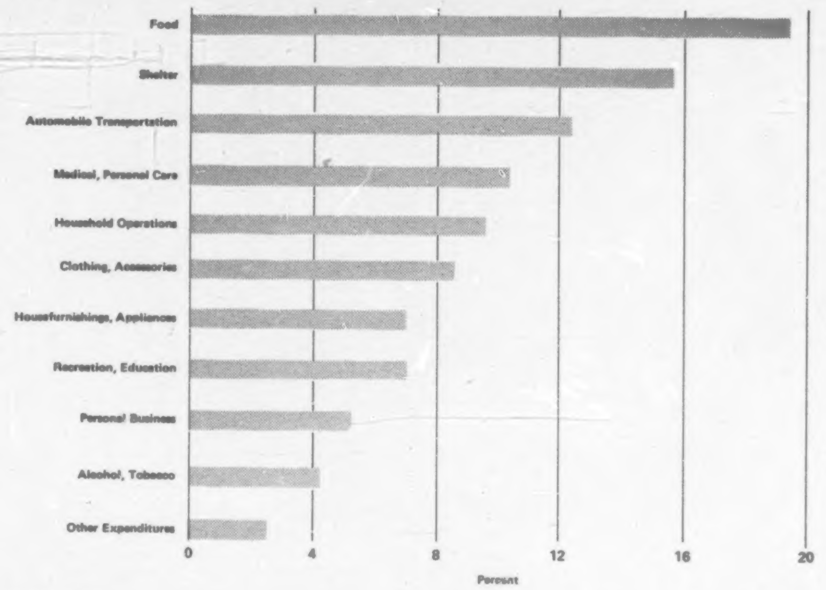
Consumer Price Indexes: 1970-1984
Annual Percent Change



*1984 period covers January-October

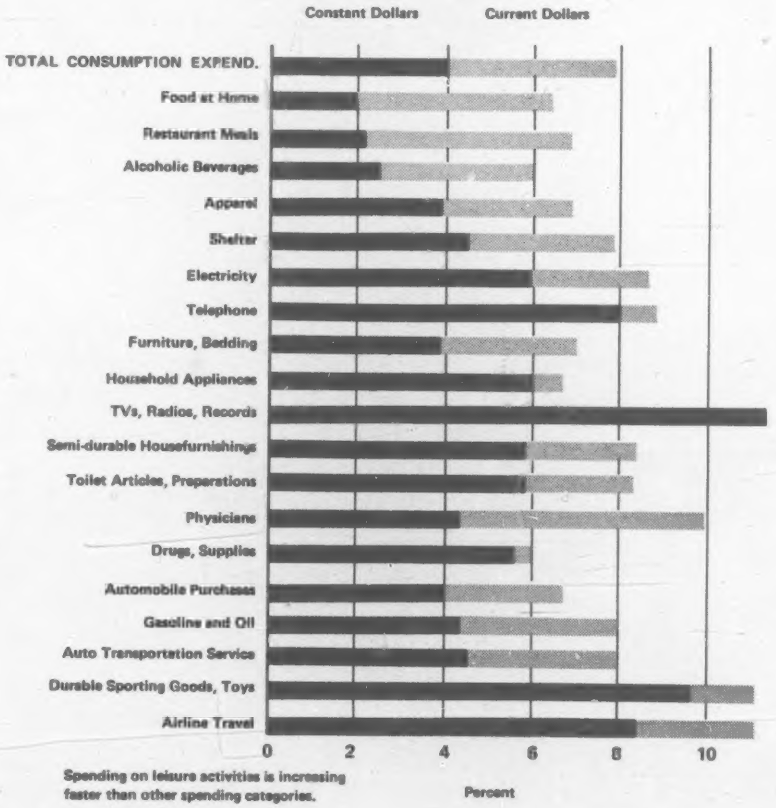
Source: U.S. Bureau of Labor Statistics, 1984

Exhibit 4-33
Distribution of Consumer Expenditures
Total Expenditures, 1975 = 100%



Source: The Conference Board

Exhibit 4-34
Growth Patterns in Consumer Spending
Average Annual Growth Rates, 1960-75



Spending on leisure activities is increasing faster than other spending categories.

Source: The Conference Board

Section IV

Psychographics and List Segmentation in Direct Marketing

by Samuel G. Barton, III
Claritas Corp.

Introduction

Was there once a time when marketers did not believe in segmentation?

Yes, indeed. Not so very long ago, many marketers were convinced that, if their products were well enough distributed, advertised and promoted, virtually everyone might buy. And in the 1950s, the power of the new television medium and the uniform demographic structure of "baby boom" households made this seem quite feasible.

Not so any more. The world of marketing, faced with obvious fragmentation of consumer groups, media, and distribution channels, no longer asks whether to segment but how best to get the job done.

In the last ten years, the market segmentation field has undergone rapid growth and significant evolutionary changes. This article reviews these developments and summarizes the current range of possibilities for applied segmentation in the *consumer* direct-mail marketing field. Five approaches to market segmentation are addressed. Oversimplifying them somewhat, we can contrast them as follows:

Demographics — Who are they?
Geographics — Where do they live?
Geo-demographics — Who are they and where do they live?
Behavior — What did they do?
Psychographics — Why did they do it?

Since, in actual practice, the border lines are not so sharply defined, the above should be considered to be differences in emphasis only.

The article discusses the interrelationship among these methods, some of their comparative advantages, and likely near-term developments.

The Purpose of Market Segmentation

The practice of consumer market segmentation involves dividing the total population into distinct groups and varying one's marketing efforts according to the unique characteristics of each group. The objective is increased marketing productivity. This may be achieved in many ways, for example:

- Aim products and their support communications toward a single group, e.g., young, affluent, mobile women.
- Go after several segments, but allocate marketing dollar weights according to the potential value of each user group.
- Tackle the mass market, but tailor separate product lines and communication/marketing strategies for each distinct consumer group.

Such firms as Spiegel, Fingerhut, L.L. Bean, J C Penney, American Express, Citicorp, Horchow, and U.S. Sales provide good examples of the variations in segmentation style which are emerging. The aim is the same: tighter, more focused marketing programs that work better and are more profitable because they are fitted to the needs, interests, and means of specific consumer groups.

The Advent of "Psychographics"

The innovation of the 1960s was "demographics," which classified consumers by such dimensions as age, sex, income, and education. The success of this approach was enhanced by the Advertising Research Foundation's establishment of standard breakdowns for all demographic categories. These were used by all researchers, thus maximizing the utility of demographics.

Passing through the 1960s into the 1970s, marketers became frustrated with the limitations of demographics. Age, Sex, Income, etc. did not provide a fully satisfying way of describing consumer targets. Further, demographics did not seem well-adapted to the task of uncovering the basic motivations behind consumer purchase decisions. Advertisers needed better tools to help them find the messages that would trigger buying motivations.

A groundswell of interest occurred in motivational, attitudinal, and lifestyle research. Many customized research studies were funded by corporate marketing departments and major agencies. All this work was later classified under the general heading "psychographics."

No doubt much was learned and many "positioning" statements (or copy platforms) were shaped from the results. However, psychographic research soon produced its own set of frustrations. Two of the vital reasons were:

Cost.
Everything had to be customized to meet the unique needs of a specific product, and highly skilled talent was needed to effectively execute these studies. As marketing budgets were trimmed in the face of a volatile economy, sky-rocketing media costs, and a no-growth population, few companies could continue to afford this type of work.

Practical Limitations.
It was hard to find and hit these psychographic targets.

To illustrate, let's look at some typical examples of targeting expressed in psychographic terms:

- "Status conscious, upwardly-mobile men"
- "Overworked housewives, fed up with drudgery"
- "When people are *really* thirsty"
- "People who want to get away from it all and explore unknown experiences"
- "Housewives who want the salt to stick to the food"

Lacking any standards of definition, these custom-designed consumer descriptors were not available on media research databases, so how could we tell which media would most efficiently reach our prospects? Also, how could we locate our targets geographically and estimate their size, by market, when local-area Census data (widely available for producing standard demographic counts) provided no information about psychographic dimensions?

Faced with the pressing need to increase the productivity of marketing expenditures by hitting the target more efficiently, general marketers returned to demographics as the standard of measurement, or at least the framework, for media planning, geographic planning, and promotion targeting.

Meanwhile, direct marketers, often without being aware of it, were routinely coming much closer to actually implementing psychographic targeting through the process of list selection and testing. The following sections analyze how this worked. Our discussion, for the moment, deals only with "vertical" lists (i.e. those generated by a consumer response through the mail).

List Selection & Psychographics

The mailer and broker collaborate to select a mix of vertical lists which will produce the highest response rate for a given mailing budget. A two-stage process winnows down the universe of thousands of lists to that small subset which "works" for the mailer's market.

Stage 1. ***Judgmental Screening.*** The experienced list broker has a conceptual model of different kinds of people according to list categories, for example: "magazine subscribers," "upscale gift catalog buyers," "sweepstakes responders." For purposes of a given mailing offer, many of these categories are quickly eliminated because they appear *incompatible* based on a "psychographic" inference drawn by the mailer or broker.

List categories should be properly considered *behavioral* segments, but many brokers and mailers have a tendency to ascribe motivational aspects to them. In this way, they are led to try new categories based on a success with a given list category that they judge to be closely associated psychographically.

Stage 2. ***Mail Testing.*** From the selected list categories, individual lists are chosen on the basis of experience, hearsay, or other marketing judgment. Small samples are then drawn by the list owner to permit test mailings. The selected lists are merged and deduplicated among themselves and also against the mailer's customer file. If the test mailing for a list produces a low response, it is rejected. If the response is adequate or good, the test can be expanded to progressively larger mail quantities.

Through the use of duplicate elimination software, we have learned an important generality about this process: the lists that perform well tend to have a high rate of duplication against the customer file. This is not surprising. We *should* expect that an independently-developed list, which accurately "finds" the market (and therefore responds well), will overlap the existing customer base. To the extent that this principle holds for a given mailer, it is appropriate to consider that the duplication rate is an effective quantitative indicator of the degree of psychographic compatibility of a given list.

There is an interesting new application of this principle that could gain significantly in use during 1984/85. If a mailer can establish a sufficiently strong correlation between list performance and the rate of duplication against the customer file, the mailer could add a final pre-mailing decision point for test lists. As the names on test lists are passed against the customer file, the duplication rate would be examined. If the overlap is so low that the list can be predicted to "bomb," the mailer may actually save money by not mailing the names even though the list rental fee must be paid.* The economics of each mailer's in-the-mail cost and return will determine where the breakeven point is for this mail/don't-mail decision.

Conceptual Model of List Qualification

To set the stage for the later discussion of list segmentation, let's establish a conceptual model of the relationship

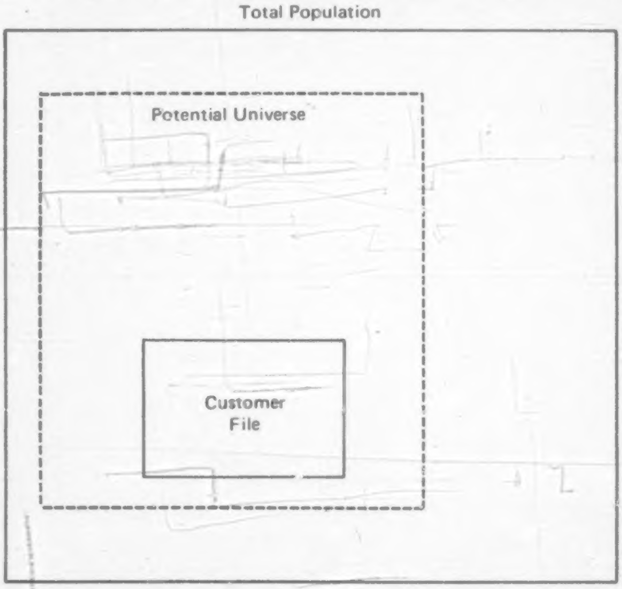


Figure 1

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*The principal exceptions are a) low overlaps resulting from very strong differences in regional skew of the customer file and the rented list, and b) low overlaps resulting from a deliberate, radical product repositioning effort by the marketer.

between the customer file and lists of varying qualification. This can be done schematically using Venn diagrams.

In Figure 1, the outside box represents the U.S. Total Population. The Customer File is shown as a small box. These two populations are known with accuracy.

We also conceive of another population which is the "Potential Universe" for a given mailing offer, i.e. the list of *all* people who *could* be customers. The size of the Potential Universe is never known with accuracy, but it is obviously greater than (and inclusive of) the Customer File. It must also be less than the Total Population because of such factors as financial means, personal preferences, age, and marital status, which might cause individuals to be logically disqualified as prospects. We can, therefore, represent the Potential Universe by the dashed-line box shown in the diagram.

As shown in Figure 2, when we subtract the Customer List from the Potential Universe, we are left with the "Prospect Universe," i.e. the parts of the *Potential* Universe which are not now customers but could be.

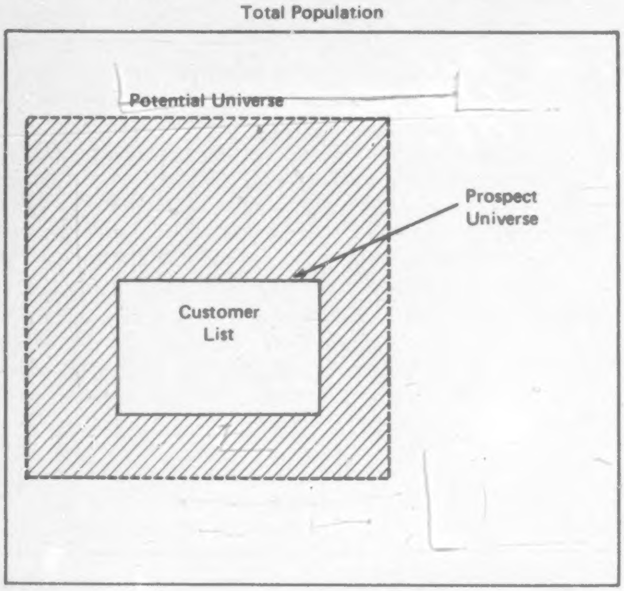

Figure 2

In outside list selection, the ideal would be to select a set of lists whose names fall entirely within the Prospect Universe. In this case, none of the rented names would be non-prospects. This would produce the maximum response rate. Unfortunately, this goal is never achieved. No list is perfect, and all lists vary in their degree of qualification for a particular offer. Mailers work toward the ideal, through judicious list screening and cycles of testing.

Figure 3 illustrates the problem. Lists A and B are of equal size, but List A intersects more of the Prospect Universe than List B and is, therefore, more "qualified." For most mailers, List A will show a higher duplication rate against the Customer File in "merge/purge" and will produce a higher response rate than List B. Typically, both lists will contain a majority of non-prospects, but there is a clear preference. The mailer would rather use List A than List B.

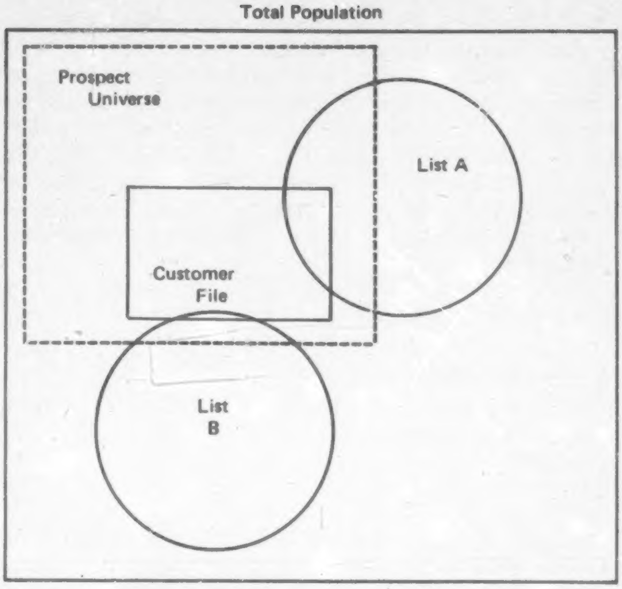

Figure 3

The process of searching for the List A's of the world has strong psychographic overtones. The mailer tries to understand what is indicated about the consumer's interest, "lifestyle," or attitudes by that individual's presence on a specific list. Then, the mailer assesses the degree to which this behavioral pattern is associated with the unique character of the market he or she is trying to reach.

This is obviously an imperfect discipline, saved from the vagaries of purely subjective projection (which has plagued general advertising) by the tight feedback loop that the list testing process affords the direct marketing industry. While list selections may initially be guided by a mailer's preconceptions about "my market," eventually an inductive reasoning process takes over in which the market tells the mailer where to look. For example: "Gee, the Sweepstakes No's on List X were terrific for my insurance offer. Maybe Sweepstakes No's are insurance-conscious people. Let's try some other similar lists."

List Profiling Services

It is worth noting at this juncture that list marketers are experimenting with new information tools for more fully describing their lists, so that mailers and brokers can be aided in their list selection judgments. These information tools were originally developed for use in list segmentation (discussed later in this article), but they can also be used for descriptive purposes, as discussed in this section.

The basic idea is to produce a "profile" of the list using a sample of names or, in some cases, the entire list. List members are distributed across demographic or psychographic segments, and the list composition is then compared to the composition of the U.S. Total Population. For example, if one segment has 10 percent of the population but 20 percent of the list members, while another segment has 10 percent of the population and only 5 percent of the list members, the list is strongly skewed toward the first segment. The variations in such profiles define the unique qualities of individual lists.

Even more revealing is a comparison of a mailer's customer profile (i.e. file composition) to that of a rentable outside list. This obviously requires that both list profiles be produced with the same segmentation system. Prior to using a list, a mailer could compare the shape of his customer profile to that of the list. This has been shown to be helpful in strengthening judgments about psychographic compatibility.

Three promising lines of current development in list profiling are outlined below:

1. Geo-demographics

Geo-demographic segmentation is based on classifying neighborhoods into homogeneous groupings using Census Bureau data. This concept was originated by Claritas Corporation with the creation of the PRIZM Cluster System in the mid-70s*.

Claritas assigned each U.S. neighborhood to one of 40 unique PRIZM "lifestyle" segments. Under the PRIZM system, every member on a list can be assigned to one of the 40 PRIZM segments according to where he or she lives. The flexible design of the PRIZM model gives mailers the choice of doing this by Carrier Route, ZIP, or (through geocoding) Census Tract/Block Group. The result is a profile which shows the list's degree of strength in "Blue Blood Estates," "Bohemian Mix," "Rank & File," "Gray Power," "Grain Belt," and 35 other distinct neighborhood types.

Geo-demographic segmentation is, strictly speaking, a refined form of geographic analysis. It simply uses residential neighborhoods instead of States, Metro Markets or Counties. However, insofar as a geo-demographic system successfully defines chosen "lifestyles," as revealed implicitly through one's selection of a home site, then there are definite psychographic implications as well.

Although thousands of lists have been profiled with PRIZM over the last 8-10 years for customer studies and mail response analysis, it was not until late 1983 that list owners began sending out PRIZM profiles to assist brokers in understanding their lists better. The first released was the Black & Decker Mail Order Buyer profile, produced and printed under license by Regnis Lam, Inc., as a supplement to the customary list data-card and distributed by RM&D List Management.

2. Database Overlays

Another approach is the Database Overlay concept. Here we match the customer file against a larger master list to transfer personal or household data from the master list. This enriches the information content of the customer file. There are two types of overlay service:

- ***Public Record Databases***—Auto registration records, driver's license files, telephone listings, and other mass records have been used to build master household databases which cover 80 to 85 percent of all U.S. households. These sources are merged and internally overlayed to build household and/or personal information records (e.g., Age from drivers' licenses; Make/Model Car(s) owned from auto registrations; House vs. Apartment from the telephone directory).

These files have been marketed for many years as mailing lists, but more recently they have been exploited additionally for their value as file overlay sources. The information yielded from these sources is limited and does not match very well the traditional demographic dimensions. Actual income and education, for example, are not available. However, the potential advantages are that the data are: a) *personal*, not contextual (i.e. not neighborhood level), b) nearly universal, thus permitting good coverage of the customer list, and c) proven effective for certain direct mail offerings in separating consumers by level of propensity.

The principle compilers and marketers of overlay services based on such lists are R.L. Polk & Co., Metromail, and Donnelley Marketing. So far this information has been used by marketers for customer file segmentation, but it is reasonable to expect some of this information in 1984 for list description purposes in support of list rental marketing.

(Note: These companies and the geo-demographics firms also overlay census data onto lists according to ZIP, Carrier Route, or Census Tracts and Block Groups. This permits the ascription of *contextual* income, education, and other useful "demographics" to qualify individual list members.)

- ***Psychographic Databases***—"The Lifestyle Selector" (TLS) was developed by National Demograhpics Ltd. in the late 70s as a compiled list of personal characteristic data. NDL designed a special questionnaire which covered interests, demographics, and leisure time activities. Many product manufacturers/distributors agreed to include the questionnaire inside their product packaging in return for certain information and services from NDL. NDL receives the completed questionnaires from cooperating consumers and adds them to the growing Lifestyle Selector master list (approximate 1984 volume = 12 million names).

The TLS list is marketed for rental in its own right, but it is also used in "overlay" mode. It is not large enough yet for a meaningful customer file enrichment program (estimated eight to ten percent coverage of customer files). But it has been used effectively for profiling work.

Other list owners provide a sample of their names to NDL for matching against the TLS list. The resulting profile shows how strongly the list is skewed towards people who report interest in "Gardening," "Camping/Hiking," "Golfing," "Raising Cats," and some 60 other categories of activities and demographics. It is debatable whether this information should be classified as behavioral (i.e. what people do) or psychographic. This is not a question of great importance, since the information has been used successfully for internal market analysis. It is reasonable to anticipate that some dissemination of the data will soon occur in support of list rental marketing.

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*More recently, C.A.C.I. and Donnelley Marketing have introduced competing models known as ACORN and ClusterPlus, respectively.

Toward the end of 1983, there were indications that other databases of this kind might be created in the near future.

3. Survey Research

It has long been possible for list owners to survey a sample of their names to find out what their customers are like, and many list owners have done so. Generally, such studies have been performed for other reasons than list marketing support. For example, many magazines commission independent Subscriber Studies to document the qualities of their subscribers for advertisers. The data resulting from such surveys, particularly the demographics, have been used for years on magazine list-data cards.

Looking beyond demographics, considerable interest has developed recently in the VALS (Values, Attitudes, Life-Styles) psychographic typology created in the mid-70s by the Standard Research Institute. In this model, each consumer is classified into one of nine categories (Integrated, Achiever, Emulator, Belonger, Societally Conscious, Experiental, I-Am-Me, Sustainer, or Survivor), which are, in turn, grouped into three broad types: Inner-Directed, Outer-Directed, and Need-Driven. SRI has produced considerable information about how to communicate to these groups and has created an assignment algorithm which is based on an individual's answers to 34 questions.

The VALS composition of a list can be determined by administering a 34-question survey to a sample of names. It is not economically feasible to enrich an entire customer file with VALS data, but administration of the questionnaire to a sample produces a potentially useful list profile. Again, work to-date by direct marketers has been largely for internal purposes. However, this information may be disseminated in the future by list owners to prospective list renters.

When we consider the highly developed audience measurement databases for television, radio, magazines, and newspapers, we realize how little information is actually available about the characteristics of mailing lists. The information that is now disseminated about lists has limited value because of the lack of: a) standard measures, b) common availability across lists, and c) independent sources of certification.

This weakness of information utility has not been a significant problem to the industry so far, since lists are so easily tested. However, there are two factors which could bring a growing need for upgraded list information:

- ***Profusion of Lists.***—The number of quality lists on the market can be expected to expand rapidly. Most major consumer marketers are getting into direct marketing in some way. This creates new lists. Also, traditional direct marketers are becoming more sophisticated in the segmentation of their list offerings. This creates new sub-lists, such as "Hot Line," "Inquiries," "Sweepstakes No's," "Buyers of X Merchandise Line," or "Buyers of Inexpensive Items."

  It will become increasingly difficult for brokers and mailers to test all relevant lists, let alone know their characteristics sufficiently to fairly pre-screen them.

- ***Increasing Test Costs.***—Most mailers are experiencing increased costs for list tests and, at the same time, increased demand for expanded list resources. The need to decrease the failure rate in list tests is becoming more acute.

The industry will respond to these concerns, and standardized segmentation profiles will likely be part of the solution. They should prove helpful to list renters in screening the list universe, narrowing the choices, and reducing "bombs" in the selection process.

Another possibility is that list owners will allow prospective renters to determine the customer-file/list duplication rate at little or no cost. Independent, bonded list processors might be needed, if the list owners and list renter are to feel comfortable about list security. This obstacle can surely be overcome as other similar ones have been as the industry has matured.

The Principle of List Segmentation

Many established mailers presently find themselves in the difficult position of having apparently exhausted their workable list resources. They believe that they have tested every list or list category worth testing and have found the complete set of lists which they can profitably mail. As a result, their mailable "universe," and, thus, their growth are limited by the size of these lists.

The industry's response to this dilemma has taken several directions, among them:

- Explore other media, such as TV or Magazine advertising.
- Develop other distribution channels, such as Package Inserts or Free-Standing Newspaper Inserts.
- Reduce the cost of mailing by using Co-ops.
- Increase response rates through better creative work or special purchase incentives.
- Mail the marginal-performing lists and either develop methods of increasing the long-term value of new customers or live with a lower profit margin.
- Increase the performance of marginal lists through list segmentation.

The focus of this article is on the problem of increasing marginal list performance through segmentation.

The mid- to late-1970s were characterized by considerable experimentation with list segmentation techniques and many discouraging failures. However, in recent years, some list segmentation techniques have been developed to a point of proven effectiveness and reliability. As word has spread about these successes, mailers have returned to this solution with much more satisfying results.

The principle of list segmentation is to eliminate part of the list and thereby eliminate a larger proportion of non-prospects than of prospects. Figure 4 illustrates this concept. The oblique chord cuts through List A, segmenting it in two parts. The shaded area represents the part of List A which is eliminated. The remainder is mailed. As shown, the mailed part is richer in prospects and has a higher overlap against the Customer File than does the unmailed part.

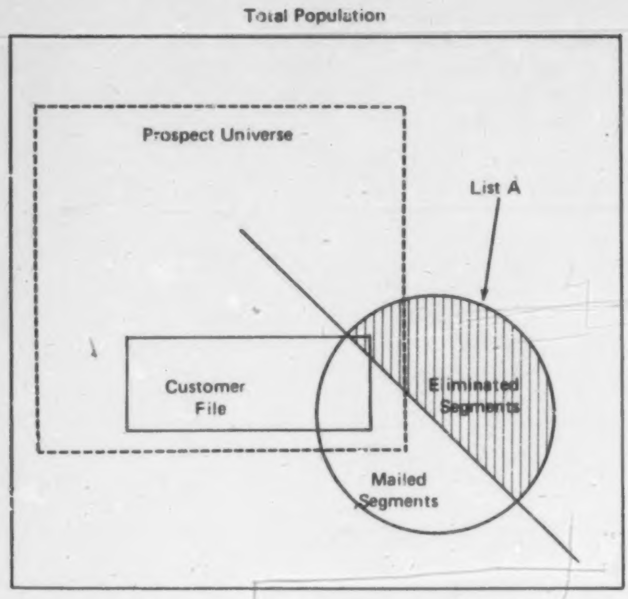

Figure 4

The result is a smaller quantity mailed from the list, but a higher response rate. If this procedure can be applied to numerous large marginal lists, the mailer can significantly increase his mailable name universe. Alternately, he can use this same procedure to simply increase the profitability of his current list mix.

List Segmentation Resources

When a rented vertical list arrives at the list processing center for "merge/purge," it rarely contains anything more than names and addresses. In order to segment the list, information must be added to it. The following resources are available for this purpose:

1. Market Geographics

ZIP Codes may be linked to County, Market, State and Region codes through geographic cross-reference files. These files are available from various suppliers, and many list processing bureaus have acquired one.

2. Census Geocoding

Each list member may be assigned to a Census Tract or Census Block Group through a computerized "geocoding" process. The address is searched in a master directory of street names and number ranges. This service is offered by Polk, Metromail, Donnelley, and a few licensees of these firms. The master directories are limited to City Delivery Service areas. Outside, the ZIP must be used as the smallest unit of geography.

The purpose of geocoding is to attach to each list member's record the census demographic characteristics for his neighborhood. Once a file has been geocoded, a broader range of suppliers is available to add the census demographics.

3. Carrier Route Coding

Each list member may be assigned to a Postal Carrier Route through a computerized search of the CRIS files. This procedure is performed very much like Census geocoding. However, many more suppliers are equipped to routinely provide this service.

In late 1983, it became possible to estimate Census demographic characteristics for Carrier Routes. Polk, Metromail and Donnelley all cross-tabulated their compiled household mailing lists by Carrier Route vs. Census Tract and Block Group. This enabled them to allocate data from the Census geography to the Postal Carrier Route geography. All three are licensing use of these files to mailers and service bureaus.

Polk has gone beyond the census information and provides additional data derived from its Auto Registration list concerning number, types and value of cars owned in the Carrier Route. This information provides a behavioral dimension and offers the added attraction of being updated on an annual basis.

4. Geo-demographic Overlays

The geo-demographic segmentation systems simplify the census data by assigning all neighborhoods to about 40 distinct types. With PRIZM, for example, someone living in Darien (CT) or Beverly Hills would be assigned to PRIZM Cluster 28, "Blue Blood Estates." A person in Greenwich Village or Old Town (Chicago) would be assigned to PRIZM Cluster 37, "Bohemian Mix." A person in Plains, GA would go into PRIZM Cluster 38, "Share Croppers."

Such segment assignments can be made at the 5-digit ZIP Code level. Alternatively, for increased precision, the assignments can be made at the Carrier Route or Census Tract/Block Group levels, provided the geocoding has been completed.

Any mailer can contract for licensed use of a geo-demographic segmentation system.

5. Neighborhood Penetration Levels

Rather than classifying neighborhoods by demographics and "lifestyles," we could group them according to variations in penetration by the Customer File. To do this, we need to have an accurate count of the number of households in each neighborhood. Against this, we calculate the number of customers in the neighborhood and derive a percentage of penetration.

The neighborhoods can then be ranked and divided into equal groups, such as deciles or demi-deciles. These groupings can be overlayed on the list. Sometimes differences are found in response rate across these groups. COMSELECT has been the most active service firm in applying this method.

A variant of this approach is to use the penetration levels of a successful previous mailing. The earliest publicly-reported use of this approach was by Direct Technology, Inc.

With either method, the penetration analysis can be performed for ZIP, Carrier Route, or Census geography.

6. Household Data Overlays

Another possibility is to match the list against a master household database file maintained by Polk, Metromail, or

Donnelley. Through this type of Database Overlay, the following types of information could be added to the list:

- Length of Residence
- Type of Dwelling Unit (Home/Apartment)
- Type Car(s) Owned
- Age (in some States)

Although this information is potentially useful for list segmentation, it must be noted that the full 70+ million database records must be brought into merge/purge. The cost of doing this would seem to disqualify all but the largest mailers. The greatest value would be realized if this information could be used for negative-logical screening (e.g., age bracket eligibility limitations). This topic is discussed later.

A related procedure which has been successfully used by credit card marketers is to pass their rented lists against credit bureau files to pick up such information as number and types of cards already owned and current credit status.

List Segmentation Methods

The preferred method for constructing a list segmentation model is to perform a Mail Response Analysis on a previous campaign. The names mailed are saved, and the order file is later matched back to indicate who responded. Then, the segmentation data resources to be used are added to the file.

Next, the analyst attempts to correlate in some way the segmentation data about the list members with the response records. The principal methods for doing this are outlined below:

1. Cross-Tabulation

The simplest method is tabulation according to predefined segments. This is the method used for the geodemographic systems and the list penetration methods, as well as "heuristic" methods employed by the consultant Mike Green. The recent PRIZM Grid procedure allows a two-dimensional cross-tabulation, for example:

- 40 PRIZM Segments vs. Regions
- 40 PRIZM Segments vs. Age Breaks
- 40 PRIZM Segments vs. Deciles of List Penetration

Using such a tabulation procedure, the segments are scored by response and then ranked from high to low. To develop a predictive model from these cross-tabs, the "log-linear" procedure is sometimes used. In this system, weights are applied to marginal totals to form estimates of unknown inner cells. The weights are determined by a regression-type model.

2. Regression Analysis

Regression analysis is a statistical procedure for correlating descriptive variables about list members (including the census characteristics of their neighborhoods) with their behavior. The variables most highly correlated to response are used in a scoring model, which predicts the likelihood of response according to each list member's specific mix of descriptive variables.

3. Discriminant Analysis

Discriminant analysis is usually used to develop a statistical model for predicting membership in groups or categories, such as "Credit Write-off," "High Purchase Level," or "Non Response." All the potentially useful descriptive variables about an individual (including his neighborhood characteristics) are entered into the statistical process, and the most influential ones are selected and weighted.

This produces a model which generates the probability of each list member's belonging to each group or category. This technique has been popular for developing credit scoring and profit scoring systems. It can also be used to predict response if a linear model is appropriate.

4. *"Tree" Analysis* (Automatic Interaction Detector)

In tree analysis, the potentially useful descriptive variables are each analyzed to determine which is the strongest in splitting the list into a high and a low response group. Then within each such group, the next most powerful variable is found for splitting it. This splitting process continues until the limits of statistical reliability are reached.

The resulting "terminal" points in the tree structure are considered segments, each defined by a unique combination of variables.

The segments are scored by response rate and then ranked from high to low.

Application of List Segmentation

Present list rental practices in the industry limit the possibilities for segmentation of rented "vertical" lists. List owners generally grant a 15 percent allowance for elimination of duplicates against other lists or the house file. Thus, the mailer pays for 85 percent of the names delivered by the list owner.

Based on these operating rules, the following practical conclusions have emerged:

1. Any time we can identify names that we are *certain* will not respond, it makes sense to eliminate these and save the postage and printing. This segmentation is illustrated in Figure 5. The shaded part contains exclusively non-prospects. A trivial case of this is the elimination of unmailable addresses. Many list processing service bureaus are equipped to routinely provide this service. Normally, this eliminates a very small part of the list.

A more substantial effect can sometimes be achieved through the "demographic" Database Overlay procedure described earlier. If segments can be eliminated on a *logical* basis, it would make sense to do this. Some examples:

a. The *drivers license files* could be overlayed to exclude all list members falling outside the age ranges specified for eligibility for an insurance mailing (e.g., 65 yrs +).

b. The *auto registration files* could be used to eliminate names not known to have a car if the mailer is offering car insurance.

c. The *telephone list files* can determine if someone lives in a house or apartment (indicated by multiple listings at the same address). This would likely be a useful screen for a second mortgage loan mailing.

A different but equally effective logical screen can some-

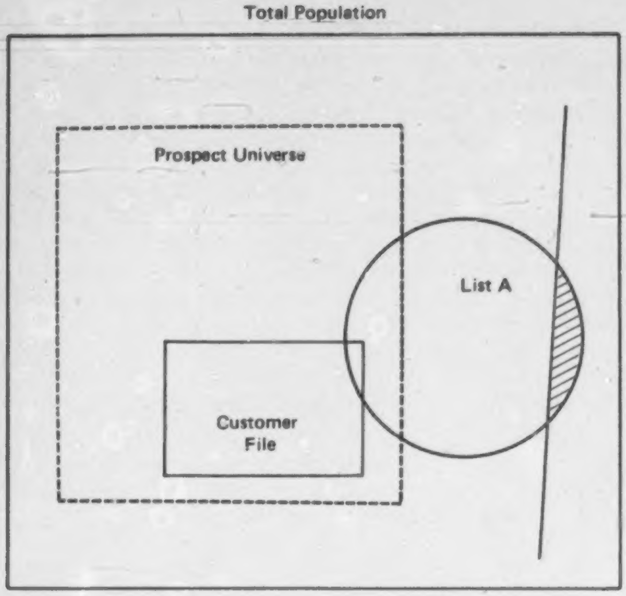

Figure 5

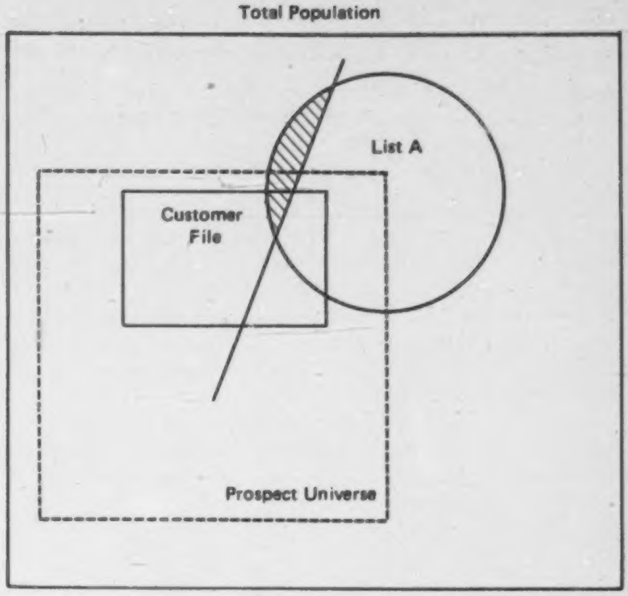

Figure 6

times be applied based on geography. For example, a state suppression could be used by a retail mailer to eliminate mailings in states where there are no stores.

When this technique is used, it is important to calculate the cost-benefit relationship carefully. There is a cost of application especially with Database Overlays, and the cost of eliminated names must be added to the cost of mailed names. The more we eliminate, the stronger the remainder of the list must be to carry the cost load. Normally, however, segment eliminations performed at the list processing site based on *logical* negative screens are cost-effective.

2. Most of the time, a logical basis for segment elimination cannot be conceived. In these cases, the segmentation tools are used to identify the weakest responding parts of the lists. These segments do have prospective buyers, although in lower proportion.

This is illustrated in Figure 6. The shaded part of the list is to be eliminated. It contains a relatively low proportion of Prospects and Customer File hits. Yet there will be sales if this part were mailed. Experience suggests that it is not cost-effective to mail the list at all if more than 20 to 75 percent or so must be eliminated to lift its response into the acceptable range. The cost burden the mailed names must carry at higher rates of elimination is normally too great to be made up by increased response. This is regrettable because mailers are especially interested in "skimming" the best 10 to 25 percent from large marginal lists.

There are two solutions to this problem. The first is to get the list owners to agree to allow payment on a net-names-mailed basis. It is hard to predict if this will become broadly possible. Some mailers believe that this change is inevitable because of the growing demand for increased segmentation power. Others believe that the list owners and brokers will not go along with this for fear of being "cherry-picked," with attendant revenue losses. Time will tell.

The immediately available alternative is to have the list owner apply the segmentation *before* the list is shipped to the mailer. Most list owners have the ability to select names by ZIP Code, but little else. As a result, the only practical approach today for skimming the best names out of a list for a given mailer is to send the list owner a selection of ZIP Codes on tape and to order names only from those ZIP's.

In summary, the author considers that the two most cost-effective techniques for segmenting rented vertical lists today are:

- Negative screen at the merge/purge site to eliminate from "good" lists the 10 to 15 percent of names in the weakest segments, using Carrier Route segmentation data.
- Selection of 15 to 30 percent of the names from "marginal" lists by sending the list owner the mailer's most desirable ZIP areas.

Related Issues

The foregoing review of segmentation techniques assumes that the mailer wishes to increase response rate on rented vertical lists by eliminating segments. There are other circumstances to be considered, however. These are briefly outlined below.

1. Profit Targeting

Increased response does not always assure increased profitability. Occasionally, mailers find that some of the most responsive segments produce inferior quality business (i.e. lower renewals, poor credit performance, etc.).

As a result, it is appropriate to consider the eventual value of each segment and to balance this against the cost of new customer acquisition in that segment. In many cases, this calculation alters the ranking of segments—sometimes rather significantly.

By appropriate application of the segmentation techniques described herein, full profit targeting models can be devised.

2. Offer/Package Targeting

Mailers have traditionally tested new offers and packages against their present standard (referred to as the "control"). If anything beats the control, it becomes the new control.

Recently, innovative mailers have found that, although the test offer or package does not beat the control overall, it may win in certain segments because of inherent differences among segments in their attitude toward different positionings or incentive schemes. For example, a sweepstakes offer may win with certain demographic of lifestyle segments, while a straight offer is more profitable in others.

The identification and confirmation of this phenomenon has led to a new use of segmentation procedures, namely to segment each list into two or more distinct target groups. Each target group is mailed a different piece which is adapted to its proven interests. In this way, the overall performance of a list can be increased without eliminating segments from the mailing.

The segmentation methods described earlier vary significantly in their ability to effectively support this approach to target marketing.

3. House File Segmentation

Mailers with large customer bases generally have marketing programs which are designed to build the value of the customer relationships through multiple product sale (e.g., insurance and merchandise offerings to a gasoline credit card customer base).

For these mailings, there is a wealth of additional segmentation data available, including Recency, Frequency, Purchase Amounts, and Product Line Usage.

The internal "behavioral" information provides a powerful means for file segmentation. It can be augmented by external overlay sources described in this article. The information mix is the most complex in this application, but the multivariate analytical techniques described earlier can be used effectively to identify the important relationships.

4. Compiled List Segmentation

The Polk, Metromail, and Donnelley lists, when used as mailing lists, can be segmented with the same information made available from them for file overlays. Because these lists can be rented on a net names-mailed basis, the economic considerations which limit the range of feasible techniques for rented lists do not apply. These lists can be segmented with the full range of segmentation information and techniques.

The list owners themselves perform multivariate analysis to identify the most responsive segments. In addition, independent firms such as Claritas perform segmentation of these lists on a service basis for clients.

A Final Word

In conclusion, it is certainly appropriate to give the following advice about list segmentation:

1. List segmentation works.
2. There are several methods in use, but each requires a knowledgeable practitioner to produce good results.
3. Mailers who are inexperienced in list segmentation should carefully check references before allowing (let alone paying for) a practitioner to segment their lists.
4. Mailers who wish to use list segmentation should make a complete calculation of the cost-benefit relationship before authorizing use of a particular technique. There probably exists a cost-effective solution for every situation, as well as several unworkable ones.

Section V

Perceptions, Behavior & Attitudes of American Express Cardholders Regarding Direct Mail (A Quantitative Report)

Prepared by National Analysts, A Division of Booz-Allen & Hamilton, Inc. for American Express Company in cooperation with Direct Marketing Association (1980).

Receipt and Disposition of All Mail

1. Cardmembers report receiving a very high volume of mail, nearly half of which is comprised of direct mail items (as opposed to personal letters or cards, bills, magazines and newspapers).

Potential Cardmembers report receiving approximately the same average number of personal letters or cards as did Cardmembers, but fewer of every other type.

2. About half of all Cardmembers receive direct mail at their offices, as well as at home. Somewhat fewer potential Cardmembers (37%) receive direct mail at the office.

While most personally addressed direct mail is opened by the respondent, a sizeable proportion is screened or opened by other people, either at home or at the office.

Less than half of direct mail addressed jointly to the respondent and someone else, or to "occupant," is opened by the respondent:

- At home, this is usually done by the spouse.
- At the office, the secretary most often does this.

Direct Mail in General

1. The majority of Cardmembers report that they receive a wide variety of types of direct mail. For most categories, more Cardmembers than potential Cardmembers report having received these types of mail during the previous six months. In both groups, the types of mail most frequently received were:

- Sales offers inserted with bills
- Information pieces inserted with bills
- Catalogs or sales announcements from local stores
- Request for contributions from charities
- Magazine subscription offers

Most Cardmembers feel that they are now receiving about the same amount of direct mail as in the past, but nearly two out of five feel that they have been receiving more lately.

2. There are relatively few categories of direct mail for which the majority of Cardmembers exhibit a positive reaction. Of 18 categories of direct mail, for only six did a majority of Cardmembers rate them as "useful, enjoyable or interesting." These included:

- Entertainment announcements
- Catalogs or sale announcements from local stores
- Educational announcements
- Mail order catalogs
- Travel announcements or brochures
- Coupons or samples of products

Nearly all Cardmembers (92%) report a positive reaction to at least one category of direct mail. Somewhat fewer (72%) report a negative reaction ("nuisance" or "objectionable") to at least one category.

3. The predominant disposition of direct mail reported by Cardmembers is "scan and throw away."

The major exception to this is a high percentage who report that they "read and save" mail order catalogs.

The two categories of direct mail most often reported to be "thrown away without reading" were:

- Insurance offers or mailings
- Offers for vacation retirement land sales

4. Cardmembers most often report having responded to the following types of direct mail solicitations:

- Catalogs or sales announcements from local stores
- Mail order catalogs
- Requests for contributions from charities

5. Fewer than two out of five Cardmembers and potential Cardmembers were aware of any organization through which they could get their names either added to or removed from mailing lists.

- The most frequently named organization was the Post Office.
- Approximately equal percentages of Cardmembers mentioned the Direct Marketing Association and American Express Company.

American Express Direct Mail

1. American Express Cardmembers exhibit considerably more favorable attitudes and responses toward American Express direct mail than they do toward direct mail in general.

2. Cardmembers show a very high *unaided* awareness of receiving American Express merchandise offerings but relatively low awareness of receiving other types of mail.

With *aided* recall, awareness of *informational* mailings dramatically increased.

3. Cardmembers report that they pay much more attention to mail they receive from American Express than they do to other direct mail that they receive.

In contrast to direct mail in general, relatively few Cardmembers report throwing away American Express direct mail without reading it.

4. Cardmembers report a reasonably high level of response to American Express direct mail, compared to their responses to other direct mail. The highest percentages of Cardmembers report having responded to:

- Offers for *Travel and Leisure*
- Merchandise catalogs
- Merchandise offerings
- Offers for air trip insurance

5. Cardmembers report positive reactions to all but two categories of American Express direct mail:

- Offers for supplementary Cards
- Offers for "other kinds of insurance"

6. Cardmembers generally have a very positive *image* of direct mail that they receive from American Express.

- There was near unanimity as to the quality of American Express direct mail.
- While there was less agreement as to the utility of American Express direct mail, a majority did give it positive ratings.

7. Nearly all Cardmembers think that, in general, American Express provides them with enough information about services and benefits. The only segment notably less inclined toward this belief was new Cardmembers. Those who desire more information say they would most like to receive more information listing places that accept or do not accept the American Express Card, detailing any available services and describing the travel service they employ.

A slight majority (54%) of Cardmembers are content with the amount of direct mail that they currently receive from American Express. However, 32% would prefer to receive less than they currently do.

8. Cardmember attitudes toward mail order merchandise offered by American Express are very positive:

- Most believe that it is of high quality and reasonably priced, although not necessarily a bargain.
- A majority believe that there would be no great difficulty in resolving problems with merchandise ordered from American Express.

9. Cardmembers exhibit a relatively low degree of awareness that American Express Company makes its mailing lists available to other selected firms.

Those Cardmembers who think that American Express makes its mailing lists available to others are of the opinion that it is a ubiquitous practice among companies.

Nearly half of these Cardmembers feel that American Express tends to be more selective than other card issuers.

Whan asked directly, a majority of Cardmembers were aware that American Express Company will remove a member's name from its mailing lists if requested to do so. However, only about one out of four remembers ever receiving a list-exclusion form, and only 3% recall having taken action to have their names removed.

10. Attributed Cardmembers (that is, those who have responded to at least one of American Express' service or merchandise offers) tend to be more positive in their ratings of American Express Company and the American Express Card than are non-attributed Cardmembers.

Attributed Cardmembers have higher opinion of mail they receive from American Express, and they feel more strongly that American Express is "very effective" in communicating with its Cardmembers.

Subscribers to *Travel and Leisure* and merchandise buyers consistently report more positive views of direct mail offers than nonsubscribers.

Other attributed Cardmembers are more selective in their judgments of direct mail offers from American Express.

Images of, and Attitudes toward, American Express Company and the American Express Card

1. Cardmembers express very positive regard for both the company and the Card. Positive ratings on all questions were reasonably uniform among all the Cardmember segments.

2. Despite their positive reactions to the merchandise itself, Cardmembers report that their feelings toward American Express Company are positively affected by information mailings, but tend to be more negatively affected by merchandise mailings.

3. Cardmembers rated American Express Company highly on communicating with its Cardmembers. Nearly all feel that, in general, the company provides enough information about services and benefits.

4. Very few Cardmembers or potential Cardmembers report having received multiple, or duplicate, solicitations for American Express Cards, and very few who received them felt that it was a nuisance.

Comparison of Cardmember Segments

The perceptions, attitudes and behavior of the different Cardmember segments are notable more for their similarities than for their differences. Briefly:

- New Cardmembers were slightly more interested in informational mailings than were Cardmembers with longer tenure.
- Cardmembers with heavy receipt of American Express direct mail were more favorable toward direct mail, in general, and American Express mail, in particular, than were Cardmembers at lower levels of mail receipt.
- List-exclusion Cardmembers were less favorable toward direct mail than other Cardmembers, but were by no means strongly negative.
- Gold Cardmembers did not differ substantially from Green Cardmembers in their perceptions or attitudes concerning American Express Company and its direct mail.
- Cardmembers with high billing volume were less positive about some aspects of direct mail than Cardmembers with lower billing volume. For example, they were less inclined to judge nearly all types of American Express direct mail as "interesting, enjoyable or useful," and a higher percentage desired to receive "no mail" at all from American Express.
- There is little disagreement among the segments of Cardmembers as to the appropriateness of offers for *Travel and Leisure* magazine. On the issues of merchandise and insurance offers, Cardmembers segments were also more or less in agreement. Exceptions to this are the new Cardmembers and Cardmembers with heavy mail receipt (who were more inclined to be positive about the appropriateness of these offers), and list-exclusion Cardmembers (who were more inclined to be negative).

Reactions to Different Types of American Express Direct Mail

Purely informational mailings were the most favorably received type of American Express direct mail. This category includes: the Cardmember Guide, information about membership and members' benefits, newsletters, and information about travel service offices and Travelers Cheque dispensing machines.

Mail having to do with travel was the next most favorably received category of mail. Cardmembers reported relatively positive reactions to: travel-related information, offers for air trip insurance, and offers for subscriptions to *Travel and Leisure*.

The third most favorably received type of direct mail was related to merchandise, including merchandise catalogs and single merchandise offers.

The only two types of American Express direct mail which were not rated interesting, enjoyable or useful by at least 50% of those who received them were offers for supplementary credit cards and offers for "other kinds of insurance such as accidental death, life, etc."

Perceptions, Attitudes and Behavior

Drawing on the findings of both the qualitative phase of the study, and the quantitative survey of current and potential Cardmembers *reported herein*, the following generalizations may be made concerning perceptions, attitudes and behavior regarding direct mail in general, and American Express direct mail in particular:

- In spite of occasional complaints about direct mail, the majority of Cardmembers are at worst neutral toward most categories of direct mail and are positive toward several. Even those categories that evoked negative reactions do not constitute serious disturbances to the majority of Cardmembers or potential Cardmembers.
- American Express Cardmembers are, by and large, satisfied with the amount of direct mail that they re-

ceive as a result of their Cardmembership. They rate American Express highly on its communication with its Cardmembers, and they have very positive attitudes concerning the company, the Card and its direct mail.

- American Express Cardmembers exhibit considerably more favorable attitudes and responses toward American Express direct mail than they do toward direct mail in general. They report paying considerably more attention to American Express direct mail than they do to other direct mail that they receive.
- It appears that Cardmembers have a relatively positive view of American Express direct mail merchandise. They feel that the merchandise is of high quality and is reasonably priced (although not necessarily a bargain). While most have never ordered merchandise through American Express, the general feeling among Cardmembers is that the company would be relatively easy to deal with regarding merchandise ordered through the mail.
- Cardmembers report extremely positive attitudes toward American Express Company and the American Express Card. They estimate that informational mailings tend to have a positive effect on their feelings toward the company. However, a majority do not report that their feelings toward the company are enhanced by merchandise or insurance offers.
- Likelihood of American Express Card renewal is extremely high among all Cardmember segments and especially so among heavy users.
- Among those who receive American Express direct mail, there is no evidence of a relationship between volume of mail received and intention to renew the Card. That is, heavy, medium and light mail receivers have virtually identical likelihoods of renewal.
- Very few Cardmembers or potential Cardmembers report having received multiple, or duplicate, solicitations for American Express Cards, and very few who received them report being negatively affected by these mailings.
- Cardmembers display a relatively low level of real interest in the issue of direct mail and/or list rental.

  Most are not aware that they have ever been sent a form that they could use to have their names removed from mailing lists, and, of those aware, very few have returned the form.

  When probed, relatively few Cardmembers are certain that American Express makes its lists available to other firms, and about two out of five think they do not.
- However, when asked about their feelings concerning list rental, the majority of Cardmembers say they would object to this practice, half of them strongly. Only one in eight reports even slight favorability toward rental of lists.

Therefore, it appears that American Express can continue sending at least the same level of direct mail to its Cardmembers with little risk of negative effects on attitudes, as long as its current standards of quality and integrity are maintained.

Section VI

United States Postal Service Study

Receptivity To Direct Mail

The most recent national study of consumer attitudes to direct mail was undertaken by the U.S. Postal Service in 1974 following its 1972 national study. The USPS findings about consumers' attitudes to direct mail are included because: (1) The majority of consumers only recognize direct mail as direct response advertising. The advertisements carried via the other media are generally classed as "TV advertising" or "newspaper advertising"; (2) Direct mail is the third largest advertising medium, thus consumer attitudes toward it are of vital importance to advertisers. (The two largest among the media are newspapers and TV.); (3) The majority of surveys concerned with consumer attitudes toward advertising are concentrated on attitudes relative to the broadcast and space media.

How Much Mail And Why?

Direct response marketers have known for years that their prime advertising targets are their company's own customers. That they still concentrate on their customers is borne out by the USPS Study, "The Household Mailstream," mentioned earlier. It is estimated that 80% of all direct mail is sent to present customers, donors, or members; the remaining 20% is sent to prospects.

Analysis of the mail received and classified by the households participating in the study showed that 47% of third class mail received was from "a company at least occasionally having done business with."

Again, according to USPS' 1974 Study, the average number of advertising and promotional material received *per week* per household was *2.6 pieces; down from 3* *pieces per week* per household in 1972. That is less than one piece per day.

This amount can hardly be called a "glut" as some writers have termed it.

The **reasons** for an individual's receiving the average or above average number of direct mail pieces are:

- Responsiveness to direct mail
- Membership in various organizations
- Community activities
- Avocational interests and specific lifestyles
- Higher income and education attainments

The Privacy Protection Study Commission's "Report on Mailing Lists," July 1977 states:

> "One of the easiest ways for an individual to get his name on a lot of mailing lists is to respond to a direct mail solicitation. There are other ways, such as being named in a public record, or mailing back the subscription form inserted in a magazine purchased at a newsstand, *but responding to a solicitation received through the mail is the surest.* That is something the people who complain about getting mountains of "junk mail" often do not understand. Chances are that the individual who is most inundated with unsolicited mail responds to some of it; if he did not, his name would not be in the customer, member, and donor files from which so many mailing lists derive."

Household Mail Attitude Surveys

From time to time, the USPS has conducted surveys of the type of mail received by the average household. The following observations are taken from their results. Tables are reprinted by permission of the Institute for Social Research, which executed the last study and compiled the data. These tables include research from the most recent Household Mailstream study in 1978 and the 1974 attitude survey cited above.

1. Total Mail Received

The average household receives nearly fifteen pieces of mail per week, including over three pieces of third class commercial mail and slightly over one piece of third class non-profit mail per week. This is significantly less than the weekly volume of first class at nearly eight pieces per week.

The variation in third class regular bulk mail received is not great, with only about 20% claiming to receive under one piece per week and less than 15% claiming to average over six.

The table following shows this data in detail.

Exhibit 4-35

Mail Received by Households
Total Volume by Selected Class[a]
(Distribution of Households by Volume of Mail Within Selected Classes)

	Number of Pieces Received by Household										
Mail Class	**0**	**1-3**	**4-6**	**7-9**	**10-12**	**13-15**	**16-20**	**21 or more**	**Total**	**Number of Households**	**Mean**[a]
Total, All Classes	1.9%	8.9	12.3	14.7	14.0	11.8	14.2	22.2	100.0%	5,366	14.72
First class	3.8%	22.8	27.0	20.0	11.0	6.5	4.8	4.2	100.0%	5,366	7.60
Second class	33.9%	45.4	12.9	4.9	1.5	0.8	0.4	0.1	100.0%	5,366	2.18
Third class, regular bulk rates	21.2%	42.2	22.4	8.4	3.7	1.0	0.7	0.3	100.0%	5,366	3.32
Third class, nonprofit rates	52.3%	39.0	6.4	1.5	0.5	0.2	0.1	0.1	100.0%	5,366	1.17
Fourth class	88.6%	11.2	0.1	0.0	0.0	0.0	0.0	0.0	100.0%	5,366	0.15

[a] Only major domestic classes and subclasses are presented. An additional .30 pieces of mail is included in the total mean for the other domestic classes, special and experimental services and foreign mail.

Receipt of mail of all types is relatively even on a daily basis (at about 2.5 total pieces per day), with the only exceptions being that bills are more likely to arrive in the first week of the month, and that somewhat more mail is received on Wednesdays, Thursdays and Fridays than on the other 3 days. This last skew holds for all types and classes of mail. Volumes are shown in Exhibit 4-37.

2. Mail by Delivery and Postage Types

The only significant volumes of items delivered by non-USPS carriers were newspapers (46% delivered by non-USPS), plastic bags of advertisements (3%) and other advertisements (2%). Those figures do not include packages or other large deliveries. For deliveries of that sort, a significant proportion of people said that they preferred private deliveries because of speed and lower danger of breakage. This must be balanced against a clearly noted greater familiarity with the USPS.

Exhibit 4-38 following shows distributions of the type of mailing indicia used, identity of sender and places where delivery was taken.

Exhibit 4-36

Mall Received by Households
By Day of Week

(Distribution of Items by Selected Contents for Each Day)

		Day of Week Received					
Selected Contents	**Total**	**Mon.**	**Tues.**	**Wed.**	**Thurs.**	**Fri.**	**Sat.**
Projected number of mail pieces (000,000)	56,760	7,410	9,440	10,140	10,220	10,230	9,330
Standard error (000,000)	998	183	189	194	197	175	225
	100%	3%	17%	18%	18%	18%	16%

Exhibit 4-37

Domestic Mail Received by Households
Type of Indicia vs. Sender

		Sendor as Reported by Respondent							
					Government				
Type of Indicia	**Total**	**Household**	**Business**	**Nonprofit organization**	**Fed.**	**State**	**Local**	**Other**	**Sender not ascertained***
Projected number of mail pieces (000,000)	56,320	7,320	35,180	8,460	2,251	990	937	1,182	
Standard error (000,000)	980	183	620	198	84	49	48	53	
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Permit	38.4	1.2	43.2	62.1	7.9	36.2	34.6	49.4	36.2
Meter	32.6	6.0	42.6	21.5	6.0	40.3	44.4	27.2	37.1
Postage stamp	22.0	90.8	11.2	11.6	2.1	4.9	13.3	17.2	24.2
Prestamped card/envelope	2.2	1.5	2.3	3.3	0.5	1.2	5.5	1.6	2.2
Penalty mail	3.7	0.3	0.5	0.9	70.7	10.5	1.7	2.4	0.0
Frank mail	0.6	0.0	0.0	0.2	11.5	2.8	0.3	1.9	0.0
Other	0.4	0.2	0.3	0.4	1.3	4.0	0.2	0.3	0.4
Number of mail pieces sampled	62,249	6,885	30,594	7,097	2,083	885	871	1,061	12,773
Number not ascertained	13,517	183	3,366	1,074	90	71	34	80	8,620

*To project the best estimates of mail volumes, projections are based on only items with information ascertained.

Exhibit 4-38

Mail Received by Households
(Distribution of Items by Type of Delivery)

				Type of Delivery							
Class and Sender	**Projected number of mail pieces (000,000)**	**Standard error (000,000)**	**Total**	**Directly to door**	**To box at curb**	**To building (but not to door)**	**To cluster of boxes**	**To post office box**	**Other**	**Sample number of mail pieces**	**Number not ascert'd**
Distribution of households	[74,155 mil.]		100.0%	41.7	29.7	12.8	4.6	8.5	2.0	[5,154	221]
Total Mail Pieces	56,760	968	100.0%	42.0	35.3	7.8	4.2	8.7	2.0	78,505	2,838

These percentages do not vary greatly by type of mail.

3. Response Vehicles

The charts below show proportions of third class mail and bills using various types of response vehicles or advertising inserts.

Exhibit 4-39

Third Class Mail Received by Households
Selected Contents by *Type of Return Envelope* Enclosed

(Proportion of Items by Type of Envelope Within Content Categories)[a]

				Type of Envelope					
Contents	**Projected number of mail pieces (000,000)**	**Standard error (000,000)**	**No return envelope or card**	**Business reply**	**Postage paid**	**Postage needed**	**Type unknown**	**Return card**	**Sampled number of mail pieces**
Catalog	2,271	85*	64.6%	6.4	2.1	24.8	0.6	1.9	2,394
Ad with order form	1,372	59*	19.0%	38.6	5.9	26.2	0.8	10.8	1,446
Ad without order form	7,480	188*	68.5%	11.9	2.2	9.3	0.3	8.6	7,889
Request for money with order form	328	24*	17.0%	33.0	8.7	33.8	0.6	9.1	346
Request for money without order form	1,044	50*	21.9%	25.0	8.9	43.8	0.7	2.5	1,100
No catalog, ad, request or order form	5,450	152*	80.6%	5.7	1.8	9.3	0.4	2.4	5,749

[a] Rows may add to more than 100.0% because mail pieces were reported to contain more than one type of return envelope or an envelope plus a card.
*These standard errors are estimated using approximate coefficients of variation of mean numbers of incoming mail pieces.

Exhibit 4-40

Mail Received by Households
Bills With/Without Ads by *Type of Return Envelope* Enclosed

(Proportion of Items by Type of Envelope Enclosed Within Categories of Bills With/Without Ads)[a]

				Type of Envelope					
Contents	**Projected number of mail pieces (000,000)**	**Standard error (000,000)**	**No return envelope or card**	**Business reply**	**Postage paid**	**Postage needed**	**Type unknown**	**Return card**	**Sampled number of mail pieces**
No bill or ad	29,680	529*	86.3%	3.9	1.6	6.8	0.3	1.4	25,913
Bill without ad	9,070	207*	43.6%	2.2	1.8	51.4	0.6	0.8	7,921
Bill with ad	1,674	68*	10.2%	3.7	2.4	81.7	0.6	2.4	1,461
Ad without bill	16,330	312*	60.6%	14.4	2.9	15.2	0.4	7.1	14,252

[a] Rows may add to more than 100.0% because mail pieces were reported to contain more than one type of return envelope or an envelope plus a card.
*These standard errors are estimated using approximate coefficients of variation of mean numbers of incoming mail pieces.

4. Third Class Mail

The tables below show types of third class mail received and their disposition. (Taken from "The Household Mailstream" for the years 1972 and 1974.)

Exhibit 4-41
Third Class Mail Received: Description

	% of Total Pieces	
	1974 N=5,597[1]	**1972 N=6,740[1]**
A piece in an envelope	36%	38%
A piece not in an envelope	36	35
A catalog	16	14
Coupons	4	3
A post card	3	3
A small package	3	3
Can't classify	—	1
No answer	2	3
Total	100	100

[1] N=households participating in the studies.

Exhibit 4-41 *(cont'd)*
Third Class Mail Received: Address Type

	% of Total Pieces	
	1974 N=5,597[1]	**1972 N=6,740[1]**
Was this item—		
Addressed to a specific member of the household	69%	67%
Addressed to "occupant" or "postal patron" or other general address	26	29
No answer	5	4
Total	100	100

[1] N=households participating in the studies

(cont'd)

Exhibit 4-41 *(cont'd)*

Third Class Mail Received: Kind of Sender

	% of Total Pieces	
	1974 N=5,597[1]	1972 N=6,740[1]
Sent from—		
A company at least occasionally done business with	47%	47%
A company known, business not done with	17	17
A company neither known nor done business with	13	17
A nonprofit organization	17	14
The government	—	—
No answer	6	5
Total	100	100

[1]N=households participating in the studies

Third Class Mail Received: Reading of Item[1]

	% of Total Pieces	
	1974 N=5,597[1]	1972 N=6,740[1]
Item was—		
Opened and read by a member of the household	65%	63%
Opened but not read by a member of the household	7	8
Discarded without being opened	9	10
Set aside for reading later	13	14
Don't know/no answer	6	5
Total	100	100

[1]N=households participating in the studies.

Third Class Mail Received: Reception

	% of Total Pieces	
	1974 N=5,597[1]	1972 N=6,740[1]
Item described as—		
The kind of useful information that I like to receive	43%	42%
Interesting or enjoyable, but not especially useful to me	23	22
Neither interesting, enjoyable, nor useful	20	21
Objectionable	4	4
Don't know/no answer	10	11
Total	100	100

[1]N=households participating in the studies.

5. First Class Mail

The following table shows the disposition of first class mail by type.

Exhibit 4-42

First Class Mail Received: Type of Mail

	% of Total Pieces	
	1974 N=14,820[1]	1972 N=5,319[1]
Personal	**25%**	**27%**
Letter from friend or relative	14%	14%
Sympathy/greeting/thank you card	4	5
Invitation	2	3
Other personal	5	5
Business	**59%**	**60%**
Bill/invoice/premium notice	33	31
Advertising/promotion/sales material	7	9
Financial statements	7	6
Pay or other checks/money order/credit slip	5	5
Correspondence school	1	1
Other business	6	8
Social Charitable and Nonprofit	**5%**	**5%**
Nonprofit institutions	3	3
Social clubs	1	1
Other	1	1
Government	**5%**	**4%**
Bill/invoice/check	2	1
Political appeal/advertising	1	1
Other government	2	2
No answer/can't classify	6	4
Total pieces identified	94	96
Total	100	100

[1]N=households participating in the studies.

6. Sample Composition

The samples used as the basis for these tables were drawn from the population as a whole on a statistically reliable basis and parallel to general population in all major characteristics.

7. Summary Comparison

The volume of third class mail received by households in 1974 compared to 1972 is as follows:

Exhibit 4-43

Amount of Third Class Mail Received

	1974 N=2,102[1]	1972 N=2,062[1]
None	30%	25%
Low (1-2)	32	32
Medium (3-5)	23	24
High (6 or more)	15	19

[1]N=households participating in the studies.

The major change was an increase in the 1974 percentage of households which received **no** third class mail, and a slight decrease in the percentage of households that received six or more pieces of third class mail. The low and medium volume percentage remained the same.

The increase in the households receiving no third class mail were:

- non-white households
- age of head of household 34 or less
- less than 25 age group
- less than high school graduate
- low family income groups
- city households

The decreased high volume households were:

- non-white households
- age of head of household 35-54
- education level of some college
- households with income levels of $10,000 or more.

The receiving household reaction to third class mail, for those getting two or more pieces, was at the same favorable level in 1974 compared to 1972.

	1974	1972
Favorable	36%	39%
Unfavorable	14	16
All others*	50	45

*Received no third class or only one piece.

Section VII

Summary of Doubleday/DMA USPS Delivery Survey

by Jon Mulford

Doubleday & Company, Inc.

In 1981, Doubleday requested DMA help in determining whether the U.S. Postal Service was delivering all properly addressed Third-Class mail. Doubleday's internal data suggested that serious delivery problems existed.

With the Government Affairs Committee's approval, DMA members were asked to record whether they received test pieces mailed to their home addresses. The statistically valid test results showed non-delivery rates of 8.4 percent for a typical third-class advertising piece and 6.6 percent for a similar piece endorsed "Forwarding and Return Postage Guaranteed."

DMA took the results to top postal management and called for fast corrective actions. The USPS, after internally confirming the delivery problem, took the following actions:

a) Started a major employee education campaign which stressed the value of third-class mail

b) Improved work rules controlling the disposal of "undeliverable" mail

c) Initiated a new operations audit program

The USPS in an attempt to upgrade postal workers' image of Third-Class mail, retired the phrase "nonpreferential mail," replacing it with "Bulk Business Mail."

Have USPS efforts paid off? The answer is a qualified "yes." In a 1983 re-run of the delivery test, non-delivery rates sank to 5.4 percent and 3.1 percent for the same types of pieces mailed in the first test: a dramatic improvement. But, two additional pieces, a 6-ounce catalog and a light-weight flyer had non-delivery rates of 10.2 percent and 18.9 percent, respectively!

Thus, the USPS, while it has improved delivery, has a long way to go. The Service is continuing its employee education and improved auditing campaigns. It is also administering two separate programs: a mail monitoring effort similar to the Doubleday/DMA tests, and project M.A.I.L. ("Mailer Address Improvement Link"). Both ongoing projects are designed to improve the delivery of Third-Class mail.

Section VIII

Consumer Attitudes Toward Direct Mail

R. H. Bruskin Associates, 1981

The purpose of this study was to measure people's attitudes toward the promotional mail that they receive at home as well as finding out exactly what mail a national sample of households receives at various times of the year. The project involved 500 households collecting all the promotional mail that was received for a one week period, placing it in an envelope and sending it in for tabulation. Reported below are some of the findings.

Exhibit 4-44
OVERALL REACTION TO PROMOTIONAL MAIL

	Total	Sex	
		Men	Women
Number of Respondents	(1014)	(492)	(522)
	%	%	%
Like It Very Much	8	4	7
It's Just OK	25	25	25
It's Somewhat of a Nuisance	19	21	17
Would Prefer Not Receiving It At All	22	22	22
Really Don't Care About It One Way or the Other	28	28	29
Don't Know, No Answer	*	*	*

* = Less than 0.5%.

Question: Each week people receive mail which promotes the sale of various products and services.

"What is your overall reaction to promotional mail? Would you say . . ."

Source: R. H. Bruskin Associates, OmniTel, March 10, 1981.

Exhibit 4-46
TYPE OF PROMOTIONAL MAIL USUALLY OPENED

	Total	Sex	
		Men	Women
Number of Respondents	(1011)	(496)	(515)
	%	%	%
Catalogues from Mail Order Companies	78	75	81
Fund Raising Mail from Charitable Organizations	72	69	75
Mail for Magazine Subscriptions	63	62	64
Mail from Insurance Companies	62	58	65
Mail from Book Clubs	57	55	60

Question: Each week people receive mail which promotes the sale of various products and services.

"Which, if any, of the following types of mail do you usually open?"

Source: R. H. Bruskin Associates, OmniTel, May 1, 1981.

Exhibit 4-45
WHETHER PROMOTIONAL MAIL IS OPENED

	Total	Sex	
		Men	Women
Number of Respondents	(1011)	(496)	(515)
	%	%	%
Open All Mail	55	48	62
Open Some Mail	37	42	32
Don't Open Any	7	9	5
Don't Know, No Answer	1	1	1

Question: Each week people receive mail which promotes the sale of various products and services.

"Thinking about the promotional mail that is addressed to you, would you say that you open *all of the mail, just some of the mail or don't you open any of it?*"

Source: R. H. Bruskin Associates, OmniTel, May 1, 1981.

Exhibit 4-47
HOW PRODUCT ACTUALLY ORDERED
(Among Respondents Who Made Purchase As A Result Of Promotional Mal)

	Total	Sex	
		Men	Women
Number of Respondents	(320)*	(155)*	(165)*
	%	%	%
By Mail	43	41	45
By Phone	24	22	27
Went to Store	52	59	46
Someone Came to Home	2	2	2
Other Method	2	—	3
Don't Know	2	4	—

* = Numbers exceed 100% due to multiple responses.

Question: "Did you order the product(s) by *mail*, by *phone*, did you go to a store, did someone come to your *home* or did you place your order by some other method.

Source: R. H. Bruskin Associates, OmniTel, May 8, 1981.

5

Research and Testing

by Michael E. Green
Direct Marketing Research Associates*

The theme of direct marketing has been aptly stated as test-test-test. And for years, direct marketers have successfully launched new products, markets, and offers by creating a test mailing package, and then mailing it to "see how it does." If the results are favorable, they launch into a campaign, and, if not, they return to the drawing boards to design another test. For this reason, many direct marketers assumed that they have been utilizing market "research" all along. However, they may have been using "testing," but they have not been using market research.

Many "market-testers" do not use statistically valid sample sizes in their tests, they do not know why the consumer rejected (or accepted) their product, nor can they say what need is being satisfied by their product, or whether their advertising is successfully appealing to that need. They, also, fail to use effective list segmentation testing and end up with non-optimal campaign offerings.

The cost of market research is a major obstacle to its regular inclusion into the marketer's products and advertising budgets. Yet, it is not the cost which hinders many marketers from not considering market research, as much as the cost-benefits that are not being adequately outlined to them. Since 1981, when much of this chapter was prepared, there has been a dramatic increase in market researchers entering and participating in direct marketing management decision making. In fact, today there are direct marketers with large research divisions, managed by director or vice president level positions. The field is growing. This article will point out the hows and the benefits of applying market research to direct marketing testing.

First—The Benefits

Qualitative Research. The opinion and "survey-side" of market research is designed to explain:

- Why someone did or did not buy or why did they re-buy?
- What was the "key" feature or features of the product that made the sale?
- What features of the marketing offer aided or hindered the sale?
- Were the advertisements' headlines, graphics, "key-points" the right ones to stress? Are there other more powerful copy points?
- Which aspects should be changed and how?
- Who is buying the product and is the market growing or shrinking?
- Which new ideas would be most likely to be successful in the marketplace and which ones wouldn't?
- Is advertising keeping up with marketing changes?

In short, qualitative research is designed to provide the reasons for the consumer's behavior. It should point out problems, identify opportunities and avoid failures when properly applied. Most of all, it should prove to be cost-effective. It should be the first step in the research process; then followed by quantitative or "testing" research to specify the exact profitability of the product.

Quantitative Research is the "numbers-side" of market research and is designed to determine:

- How many sales were made?
- What was the average dollar sale?
- How many of each version were bought?
- Which mailing list, which mail advertisement, which magazine, which TV advertisement, or which telemarketing program is most profitable?

Campaign decisions are made from quantitative market research, which should also measure the effectiveness of an immediate follow-up offer (called a Pavlov offer) and to whom to offer it. In other words, while a test mailing is identifying to whom to market and not to market for a potential campaign, it should also determine a second campaign market, which advertisement to offer for the second campaign, and whether a segment can profitably support a third or fourth campaign wave.

By combining quantitative and qualitative market research, a test mailing could point out the strengths and weaknesses of the test mailing advertising, so that improved advertising can be designed, building on its current strengths and overcoming its weaknesses. Continuous research can help assure an optimum level of profitability for any direct market product.

Uniqueness of Research and Testing in Direct Response Marketing

Direct response marketers have a most advantageous and unique medium for selling their products and services. Direct marketing advertising expense can be directly related to sales resulting from that advertising, and a resulting profit and loss analysis can determine if the advertising is "paying off."

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*Affiliated with DMCA Systems Ltd.

Because of this direct relationship between advertising and sales, research can be designed to determine:

- Who is buying?
- Who is not buying?
- Why did they buy?
- Why didn't they buy?
- What is most/least effective about the advertising?
- What is most/least effective about the product and offer?

There is not a direct, measurable relationship between the advertisement and the sale with radio, TV and most magazine advertising. Since a sale may take place days or weeks after a commercial runs, it is very difficult to precisely relate $1.00 of that advertising to $X.00 of product sales. As a result, it is more difficult to determine the cost-effectiveness of this advertising—whereas, with direct response, the sale directly results from the ad.

We can examine and study the non-buyers or non-respondents to a campaign with direct response advertising. By comparing them to the buyers or respondents, we can identify facts that lead to action. For example, if 50% of buyers are females and only 30% of the mailing list (non-buyers mainly) are females, then we know that the product or service is quite attractive to females, and they should be mailed in future offers. By merely knowing that 50% of buyers are women (as with TV advertising) and nothing about the non-buyers (viewers of the ad) who were offered the product or service, we cannot develop an action plan for the future.

Because of the following two unique facts:

- the direct relationship between advertising and sales and
- the ability to examine "non-buyers" or "non-respondents" to a direct response advertisement,

an entire world of traditional and new research techniques becomes available to the direct marketer in order to maximize and optimize advertising and profits. This chapter will outline the research techniques that are available and that have proven to be powerful in their applications to direct-marketed products and services.

Conducting Research — Do's and Don'ts

Good research and testing provides the information on which management decisions are based. Thus, it is a staff function—the intelligence function of management.

As such, it should be seen as a full-time operation rather than a temporary function, handled by someone part-time, "when they have time." The size of the function should depend upon the scale of the direct marketing operation. In terms of importance, the research operation should be viewed as vital as the treasurer-controller's or the legal department's operation of a company. Research provides the intelligence needed by management to determine:

- Who to mail to?
- What product/service should be mailed?
- When to mail?
- How many to mail?
- What advertising to be mailed?
- How to improve the advertising?
- How to improve the product/service?
- Opportunities for new products/services?

—all to achieve a certain goal or achieve a given return on investment (ROI) for your company.

A challenge facing market researchers today is developing research techniques that are sufficiently relevant, practical, accurate, and flexible to justify their application as marketing problems arise. Researchers must convince management that the research will, in fact, help improve operations rather than become a cumbersome impediment to management.

The direct market researcher's task is twofold:

- Develop useful tools and avoid techniques for technique-sake
- Help management learn to recognize and utilize the contributions that research can make.

Most market research techniques have one thing in common, and that is their dependency on statistics. Without statistics, most direct response research would not exist. Thus, all researchers must be aware of numerical data and the biases that affect it:

- Sample size bias: too small and results are meaningless
- Sample selection bias: representativeness, randomness
- Collection of data bias: missing data, duplicate data
- External factors bias: holidays, vacation periods, major national or international events, weather, politics
- Analysis of data bias: incorrect statistical tests
- Unintentional bias: false replies or responses
- Intentional bias: cheating
- Prejudice bias: trying to prove your point

By controlling for these biases, the researcher's statistical results have the best chance for acceptance into management's decision-making process.

When to and When Not to Use Research

The answer to this question depends on the value of the decision facing the company. If the research cost cannot be cost-justified, then it is not worth doing and should not be done. For example, to test for the "best" combination of copy, graphics, layout and offer, one may need hundreds of test cells costing between $500,000 to $1,000,000 to test mail. If the project profit is in the same range as the research cost, then you have not gained anything by the test. However, if a scaled-down test is designed, with ten cells costing $50,000 to $100,000 and profit is in the $500,000 to $1,000,000 range, then testing would be worthwhile.

In addition, certain tests require sample sizes of 50,000 to 75,000 and, if the list to be mailed is in the same range, then testing is not possible. If a decision has to be made in a time period less than the research time period, then, again, research and testing are not possible.

Inappropriate techniques are sometimes used in evaluating whether to use research to solve a problem. Using surveys or focus groups to determine response rates for different advertising packages is totally inappropriate. To determine response rates, you need controlled samples and, frequently, very large samples—both of which are not practically possible or cost effective with focus groups and surveys. Also, using response rates to answer why a person bought or didn't buy is again inappropriate; here, surveys and focus groups are needed.

Because of the limitations on each of the various techniques, carefully designed research testing is mandatory. Extensive communication between marketing management and researchers is necessary in order to achieve a workable test—give and take on both sides is needed. The researcher can't expect to be given free rein, and the marketer cannot expect to use research to answer every question that arises.

Bases for Testing: The Scientific Approach

Direct marketing lends itself to the use of the scientific approach in solving problems more than in any other advertising/distribution system. No research and testing method can entirely eliminate uncertainty, but the scientific approach can minimize uncertainty and increase confidence in the information. It helps the researcher or manager choose between alternative courses of action.

The scientific approach emphasizes care and accuracy in the gathering, recording and analyzing of facts about marketing problems, imagination to find relationships among facts, and reproducible results. Merely gathering and tabulating the facts is not sufficient; nor is it research.

Direct response marketing's direct relationship between sales and advertising makes for a perfect situation for employing the scientific method. Data can be collected and analyzed to determine who bought and why, without the researcher having to account for intervening activities such as salesmen, shelf location, TV show content, or an outside event in order to draw relationships between advertising and sales.

Hypothesis Testing

Figures drawn from samples (response or sales rates), no matter how "scientific," are of little value unless their reliability is properly evaluated.

Testing a statistical hypothesis is essentially the evaluation of the significance of one or more sample values with respect to some general hypothesis. Thus, the question of whether Kit A's 1.2% response rate is different from Kit B's 1.5% response rate can be stated as the following hypothesis:

> *Null Hypothesis: which states:*
> There is no difference in the response rates between Kits A and B.

This is known as the null hypothesis. Once stated, the proper statistical tests can lead to acceptance of the null hypothesis or rejection of it. The proper statistical test involves selection of an appropriate standard-error formula, confidence regions and confidence coefficents. It also involves the use of probability distribution tables, and, possibly, special tables to account for any distortion due to small sample sizes.

In using hypothesis-testing, two types of errors can be made:

- *Type I errors*—rejecting the hypothesis when it is true
- *Type II errors*—accepting the hypothesis when it is false

Type II errors are more common than Type I errors in direct marketing. This is because sample sizes selected are often too small, and, thus what "looks" like a real difference between kits is not significant, and the wrong kit is mailed. The marketer may also conclude that there is no difference in response rates between kits, and a decision is made on which kit to mail based on cost (or other reasons) and not on response.

Hypothesis testing is based on the formula:

$$Z = \frac{\text{Response Kit A-Response Kit B}}{\text{Estimated Standard Error of the Difference}}$$

Z is a measure of the response difference related to its statistical significance. Values of Z much less than 1 are not statistically significant. Values of Z greater than 2 imply that a real difference exists between the test kits. One looks up the value of Z on a table (areas under the normal curve or table of Z) to determine if the difference between Kit A and Kit B is significant. Significant differences can be at the 90%-95% confidence levels.

A 95% confidence level, corresponding to $Z=1.96$ is used to develop a 95% confidence interval around the measured rate. This response implies that there is only a 5% chance that a random sample would give a response outside of the confidence interval. If such a response were observed in a test mailing, the presumption is that real differences in the product or test offering is causing the increased (or decreased) response rate.

By scientifically designing the research, controlling for biases, and using proper sample sizes, the researchers can report marketing intelligence to management that is reliable and useful in decision making. The equation for the standard error (σ) of the difference is:

$$\sqrt{\frac{P_1 \times Q_1}{N_1} + \frac{P_2 \times Q_2}{N_2}} = \sqrt{\sigma_1^2 + \sigma_2^2}$$

Where P_1 = Response rate from Kit 1
$Q_1 = 1 - P_1$
P_2 = Response rate from Kit 2
$Q_2 = 1 - P_2$
N_1 = Sample size of Kit 1
N_2 = Sample size of Kit 2

Therefore, using these equations, Z can be computed for any set of response rates, and statistically significant results reported as to which kits are "better" than others.

Examples of testing the null hypothesis:

$P_1 = 1.2\%$ $\quad$ $P_2 = 1.5\%$
$N_1 = 30{,}000$ $\quad$ $N_2 = 30{,}000$

Null Hypothesis: P_1 is not different from P_2
: Significance level required is 95%

$$Z = \frac{.015 - .012}{\sqrt{\frac{.015\ (.985)}{30{,}000} + \frac{.012\ (.988)}{30{,}000}}}$$

$Z = 3.18$

Look up 3.18 on the Z table and you get (.4985) and times two equals 99.7%; thus, the null hypothesis is rejected since there is a 99.7% probability that P_2 is greater than P_1, or only three times out of 1,000 would you expect that P_1 and P_2 would be the same, and greater than 1.96.

Table of selected Z-values and their respective level of significance (sample sizes over 30)

Z =	Level of Significant Differences
1.04	70%
1.15	75%
1.28	80%
1.44	85%
1.64	90%
1.70	91%
1.75	92%
1.81	93%
1.88	94%
1.96	95%
Greater than 1.96	Over 95%

F-Ratio Test

There are times that you want to test the significance of the difference between two groups in which the sample sizes of one or both are in the 500 to 1,000 range. For example, specific segments of lists may require testing in a Matchkey® Analysis. To do this, use the same Z statistic as before, and then go on to a second test. This test is the F ratio test. The joint rejection of the null hypothesis by both the Z test and the F test is needed to assure a statistically significant difference for these relatively small samples.

In the F test, the data from the Z test is used as follows:

$$\text{F Ratio} = \frac{\sigma_1^2}{\sigma_2^2} = \frac{\frac{P_1 \times Q_1}{N_1}}{\frac{P_2 \times Q_2}{N_2}} \text{ or } \frac{\frac{P_2 \times Q_2}{N_2}}{\frac{P_1 \times Q_1}{N_1}}$$

(the larger standard deviation (σ^2) should be the numerator).

The following table provides F values that must be exceeded in order to reject the F ratio null hypothesis; i.e. that there is no difference in the standard deviation at the 95% level.

Sample Sizes for N_1 and N_2 (each)	Significant Points of the F Ratio for Sample Sizes at the 95% Level
100	1.59
200	1.39
500	1.24
1000	1.13
30,000	1.15
infinity	1.00

In the above example, the F ratio is calculated as follows: (Note: since the sample sizes are 30,000, it is not really necessary to perform the test; however, it is included here for illustrative purposes.)

$$F = \frac{\frac{.015(.985)}{30{,}000}}{\frac{.012(.988)}{30{,}000}} = 1.25$$

The measured F ratio must exceed the value 1.15 in the table to pass the test. Since it does, we can reject the null hypothesis that the two are not different; or, we can say that the difference in the two response rates is statistically significant and is not due to mere chance alone. Therefore, Kit B, with a response rate of 1.5% is "better" than Kit A, with a response rate of 1.2%. The difference in the two response rates is said to be "real."

The following example illustrates the importance of proper sample sizes. Let's say the samples were 5,000 (not 30,000) in both cases. If so, then Z becomes 1.30. Looking up 1.30 in the Z table, we get 80.6%; the null hypothesis is accepted, and we conclude that there is not a statistical difference between response rates. The difference in the response rate may be real, but we are not able to confidently confirm this because the sample size is not large enough. We see that there are about 200 times out of 1,000 (100%-80%) when P_1 and P_2 are the same—much greater than three out of 1,000 when the sample sizes were 30,000 per cell. Thus, researchers conclude that there is probably no real difference.

The researcher must carefully design sample sizes for test cells so as to assure that neither too few nor too many names are mailed in any given test. The equations below are used to determine sample sizes.

Single Cell Tests. When you want to determine what the response rate range will be for one kit to one list, use this equation:

Formula for Calculation (Probability Equation)

$$N = \frac{(R) * (1 - R) * (C^2)}{E^2}$$

Where: R = Your estimated sales rate
E = Tolerable error in sales rate
C = Degree of certainty that sales rate is within error tolerance
N = Number of mailing pieces required

Example:

- Estimated sales rate: 0.40%
  $R = 0.0040$
- Tolerable error in sales rate: ± 0.006% (15% difference)
  $E = 0.0006$
- Degree of certainty 95% Confidence limit
  $C = 1.96$ (from Z table)

Result:

- Number of pieces required for that test:

$$N = \frac{(0.0040)(1 - 0.0040)(1.96)^0}{(0.0006)^2} = 42,514$$

Multi-Cell Tests. For tests where you are going to test Kit A vs. Kit B, or List 1 vs. List 2, use the multi-cell test equation:

Formula for Calculation (Probability Equation)

$$N = \frac{(R_A)(1 - R_A) + (R_B)(1 - R_E) \qquad {}^*(C^2)}{(R_A - R_B)^2}$$

Where: R_A = Estimated sales rate for Cell A
R_B = Estimated sales rate for Cell B
C = Degree of certainty
N = Number of mailing pieces required for *each* cell

Example:

- Estimated sales rate for Cell A: 0.40%
  $R_A = 0.0040$
- Estimated sales rate for Cell B: 0.46%
  $R_B = 0.0046$ (15% better)
- Degree of certainty that estimated sales rates are different: 95% Confidence limit
  $C = 1.96$ (again from Z table)

Result:

- Number of pieces required for each cell tested:

$$N = \frac{(0.0040)(1-0.0040) + (0.0046)(1-0.0046)(1.96)^2}{(0.0040 - 0.0046)^2} = 91,375$$

These equations require that the marketer provide the acceptable degree of uncertainty (5%-10% for example), the projected response (R) and tolerance error (E) in sales rates for the kit(s) to be tested. The researcher should then calculate the sample sizes and confer with the marketer about the results.

The chart, Exhibit 5-1, on page 102 is provided for use in multi-cell tests and when we need to determine how many kits to mail per piece. The response rates for the "control" kit range from 0.10% to 1.00%, incremented by 0.05%. The tested kit is assumed to be 15% : from the control kit. For example if your control kit is projected to get a 0.5% response rate, then, if the test kit is 15% better than 0.05% (0.575%), and you mailed 72,500 pieces per cell, you would be approximately 95% confident that the test kit is statistically better than the control kit.

Therefore, if you initially determine what your control package rate of response will be (assuming it is between 0.1% and 1.0%), and you are willing to let the tolerable error in your sales rate be ±15% (in other words, the test kit out-pulls the control kit by 15%), then you can use this chart. There are numerous charts showing mail-out quantities for responses of greater than 1% and for tolerable errors of 1% to 50%. This is just one of those charts.

Model of Comprehensive Research and Testing Program

The flow chart, Exhibit 5-2, on page 103 depicts a new product/service development and implementation guide for direct-marketed products. The philosophy behind this model is that the consumer decides what products/services should enter the marketplace, not just the marketer.

Before the product development scheme is initiated, the program objectives are established by management, marketing, and research, and the budget-scheduling parameters are set. Once these have been set and approved, this scientific fact-finding mission is ready to determine the most successful products and product features for your company's product line.

1. Definitions

a. Pre-Consumer Activities. Review of past and present surveys from your company and industry sources; complaints from customers; resistance to sales; competitive activities; R&D department developments; consultant recommendations; all with the objective of looking for positive and negative aspects of the proposed product/service.

b. Company Brainstorming. Internal staff and key suppliers brainstorming—including marketing, advertising, research, customer service, data processing, legal, controllers, R&D engineers, consultants, actuaries, finance managers, and outside suppliers.

Remember the following rules:

- Suspend all judgment/criticism
- Promote free-wheeling atmosphere
- Build up each idea
- Remember that quality of ideas is the only objective

c. Generate Ideas. The goal of pre-consumer and brainstorming processes should be to generate ideas to be tested: new products/services, new features for existing products/services, new markets, advertising, offers, etc. These ideas are now further developed by two groups:

Prospective customers—current direct response customers and/or prospects, to whom you want to sell your product or service.

Other interested parties—systems people, legal staff, customer service, manufacturing, shipping, outside consultants, and advertising agencies.

Both of these groups should compose strategic workshops. For prospective customers, the process is more

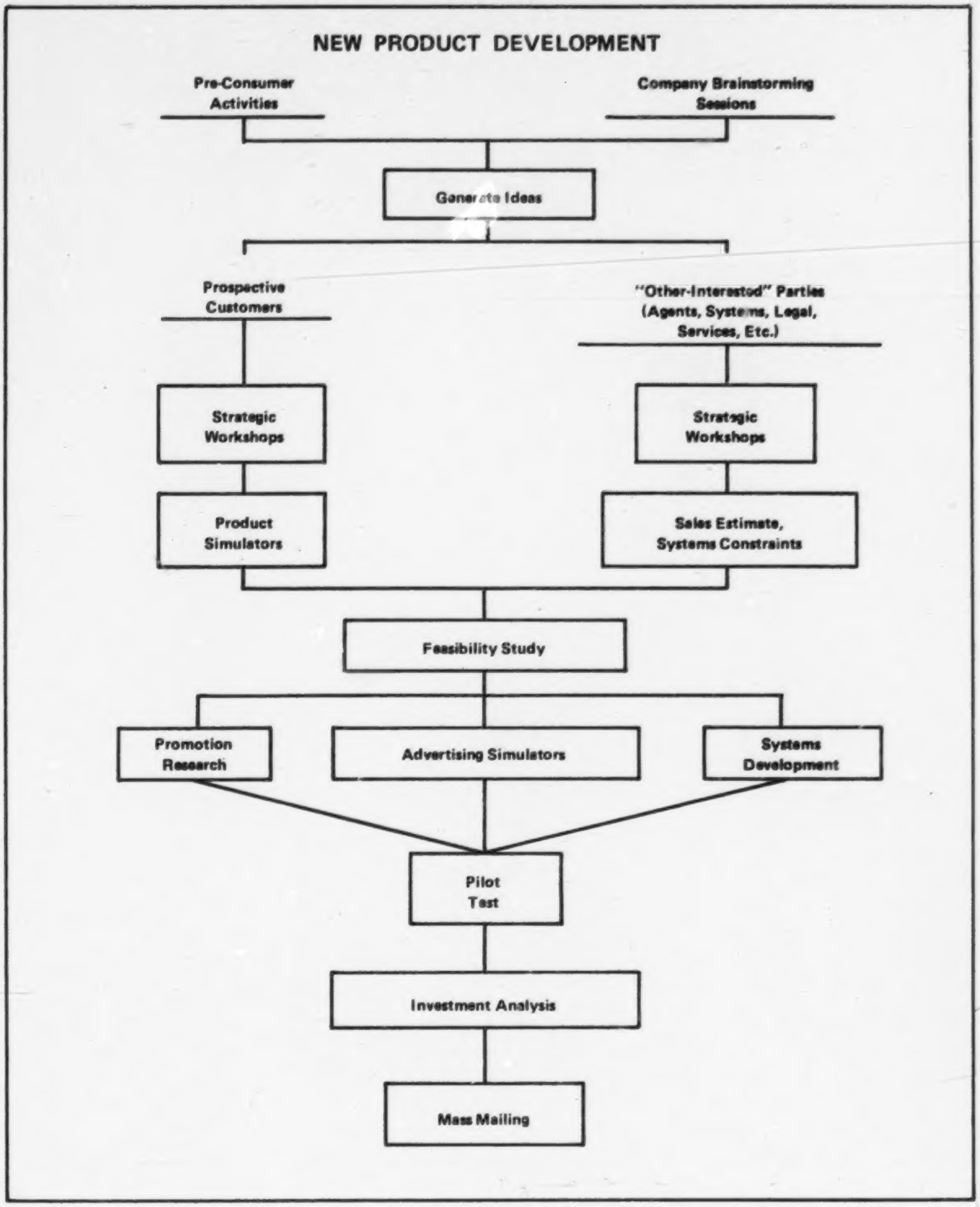
Exhibit 5-1
OUT-PULL YOUR CONTROL PACKAGE BY 15.0 PERCENT

To determine how many pieces to mail of each test package and for the control package, find your anticipated control package response rate, then read down the column for the percent of accuracy that meets your needs (usually 90% & over) and just read across the row to obtain the necessary mail-out quantity for each package. This quantity will assure that a 15.0 percent greater anticipated test package response rate will be statistically measurable given your chosen level of accuracy.

MAIL-OUT SAMPLE SIZE	**CONTROL GROUP RESPONSE RATE IN PERCENT**																		
	0.10%	**0.15%**	**0.20%**	**0.25%**	**0.30%**	**0.35%**	**0.40%**	**0.45%**	**0.50%**	**0.55%**	**0.60%**	**0.65%**	**0.70%**	**0.75%**	**0.80%**	**0.85%**	**0.90%**	**0.95%**	**1.00%**
	CONFIDENCE COEFFICIENTS																		
10000	25.0%	30.2%	34.6%	38.8%	42.4%	45.0%	47.6%	50.2%	52.8%	55.2%	57.0%	58.6%	60.4%	62.0%	63.6%	65.2%	66.6%	68.2%	69.2%
12500	28.6%	34.0%	38.8%	43.0%	46.4%	49.6%	52.8%	55.2%	58.2%	60.4%	62.0%	64.2%	66.2%	67.6%	69.2%	70.6%	72.4%	73.6%	74.4%
15000	30.2%	36.8%	42.4%	46.4%	50.2%	54.0%	57.0%	59.8%	62.0%	64.6%	66.6%	68.6%	70.6%	71.8%	73.6%	75.2%	76.4%	77.6%	78.8%
17500	32.4%	39.6%	45.0%	49.6%	54.0%	57.6%	60.4%	63.6%	65.6%	68.2%	70.6%	72.4%	74.0%	75.8%	77.2%	78.8%	80.2%	81.2%	82.6%
20000	34.6%	42.4%	47.6%	52.8%	57.0%	60.4%	63.6%	66.6%	69.2%	71.4%	73.6%	75.8%	77.2%	78.8%	80.2%	81.6%	82.8%	84.0%	85.2%
22500	36.8%	44.4%	50.2%	55.2%	59.8%	63.6%	66.6%	69.6%	71.8%	74.4%	76.4%	78.4%	79.8%	81.8%	82.8%	84.4%	85.4%	86.6%	87.6%
25000	38.8%	46.4%	52.8%	57.6%	62.0%	65.6%	69.2%	71.8%	74.4%	76.8%	78.8%	80.6%	82.2%	83.6%	85.2%	86.2%	87.6%	88.4%	89.4%
27500	40.2%	48.4%	54.6%	59.8%	64.6%	68.2%	71.4%	74.4%	76.8%	79.2%	80.0%	82.8%	84.4%	85.8%	87.0%	88.2%	89.2%	90.2%	91.0%
30000	42.4%	50.2%	57.0%	62.0%	66.6%	70.6%	73.6%	76.4%	78.8%	80.8%	82.8%	84.6%	86.0%	87.6%	88.8%	89.8%	90.6%	91.6%	92.4%
32500	43.8%	52.2%	58.6%	64.2%	68.6%	72.4%	75.2%	78.4%	80.6%	82.8%	84.6%	86.2%	87.6%	89.0%	90.0%	91.0%	91.8%	92.8%	93.4%
35000	45.0%	54.0%	60.4%	65.6%	70.0%	74.0%	77.2%	79.8%	82.2%	84.4%	86.0%	87.6%	89.0%	90.2%	91.2%	92.2%	93.0%	93.8%	94.4%
37500	46.4%	55.2%	62.0%	67.6%	71.8%	75.8%	78.8%	81.6%	83.8%	85.8%	87.2%	89.0%	90.2%	91.4%	92.2%	93.2%	93.8%	94.6%	95.2%
40000	47.6%	57.0%	63.6%	69.2%	73.6%	77.2%	80.2%	82.8%	85.2%	87.0%	88.4%	90.0%	91.2%	92.2%	93.2%	94.0%	94.8%	95.4%	
42500	49.0%	58.2%	65.2%	70.6%	74.8%	78.8%	81.6%	84.0%	86.2%	88.0%	89.6%	91.0%	92.2%	93.2%	94.0%	94.8%	95.4%		
45000	50.2%	59.8%	66.6%	71.8%	76.4%	79.8%	82.8%	85.2%	87.2%	89.2%	90.6%	91.8%	93.0%	93.8%	94.6%	95.4%			
47500	51.6%	61.0%	67.6%	73.2%	77.6%	81.2%	84.0%	86.2%	88.4%	90.0%	91.0%	92.8%	93.8%	94.6%	95.4%				
50000	52.8%	62.0%	69.2%	74.4%	78.8%	82.2%	85.0%	87.2%	89.4%	91.0%	92.2%	93.4%	94.4%	95.2%					
52500	54.0%	63.0%	70.0%	75.8%	79.8%	83.2%	86.0%	88.2%	90.2%	91.8%	93.0%	94.0%	95.0%						
55000	54.6%	64.2%	71.4%	76.8%	80.8%	84.4%	87.0%	89.2%	91.0%	92.4%	93.6%	94.6%							
57500	55.8%	65.6%	72.4%	77.6%	81.8%	85.2%	87.8%	89.8%	91.6%	93.0%	94.2%	95.2%							
60000	57.0%	66.6%	73.6%	78.8%	82.8%	86.0%	88.4%	90.6%	92.2%	93.6%	94.6%								
62500	57.6%	67.6%	74.4%	79.8%	83.8%	86.8%	89.4%	91.2%	92.8%	94.2%	95.2%								
65000	58.6%	68.6%	75.2%	80.6%	84.6%	87.6%	90.0%	91.8%	93.4%	94.6%									
67500	59.8%	69.6%	76.2%	81.6%	85.2%	88.2%	90.6%	92.4%	93.8%	95.0%									
70000	60.4%	70.0%	77.2%	82.2%	86.0%	89.0%	91.2%	93.0%	94.2%										
72500	61.4%	71.0%	78.0%	82.8%	86.8%	89.6%	91.8%	93.4%	94.8%										
75000	62.0%	71.8%	78.8%	83.8%	87.2%	90.2%	92.2%	93.8%	95.2%										
77500	63.0%	72.8%	79.4%	84.4%	88.0%	90.6%	92.8%	94.2%											
80000	63.6%	73.6%	80.2%	85.0%	88.4%	91.2%	93.2%	94.6%											
82500	64.2%	74.0%	80.8%	85.8%	89.2%	91.8%	93.6%	95.0%											
85000	65.2%	74.8%	81.6%	86.2%	89.6%	92.0%	94.0%												
87500	65.6%	75.8%	82.2%	86.8%	90.2%	92.6%	94.2%												
90000	66.6%	76.2%	82.8%	87.2%	90.6%	92.8%	94.6%												
92500	67.2%	76.8%	83.4%	87.8%	91.0%	93.4%	95.0%												
95000	67.6%	77.6%	84.0%	88.2%	91.4%	93.6%													
97500	68.6%	78.0%	84.6%	88.8%	91.8%	94.0%													
100000	69.2%	78.8%	85.0%	89.2%	92.2%	94.2%													
102500	69.6%	79.2%	85.4%	89.6%	92.6%	94.6%													
105000	70.6%	79.8%	86.0%	90.0%	92.8%	95.0%													
107500	71.0%	80.6%	86.6%	90.4%	93.4%														
110000	71.4%	80.8%	86.8%	90.8%	93.6%														
112500	71.8%	81.2%	87.2%	91.2%	93.8%														
115000	72.4%	81.8%	87.8%	91.6%	94.2%														
117500	72.8%	82.2%	88.0%	91.8%	94.4%														
120000	73.0%	82.8%	88.4%	92.2%	94.6%														
122500	74.0%	83.2%	89.0%	92.6%															
125000	74.4%	83.8%	89.2%	92.8%															

95% OR GREATER

Exhibit 5-2


NEW PRODUCT DEVELOPMENT
Pre-Consumer Activities
Company Brainstorming Sessions
Generate Ideas
Prospective Customers
"Other-Interested" Parties (Agents, Systems, Legal, Services, Etc.)
Strategic Workshops
Strategic Workshops
Product Simulators
Sales Estimate, Systems Constraints
Feasibility Study
Promotion Research
Advertising Simulators
Systems Development
Pilot Test
Investment Analysis
Mass Mailing

formal and rigorously controlled than for the "other interested parties," but in both cases you should approximately follow the same procedures.

d. Strategic Workshops. As input to these sessions, copy and rough layout must be prepared. This is a critical point in the overall activity, and the reason for having the ad agency creative people and/or marketing consultants take part in the initial phases of strategic workshops.

Descriptive copy and corresponding layout for prospective customers to evaluate is prepared with careful attention paid to avoid overselling the product with "bells and whistles," but to simply describe the product features so that they are understandable to the average customer.

- ***Sessions Themselves:*** The copy and layouts are taken to prospective customers in focus group sessions.

  Several small groups of up to ten persons are scientifically recruited for the groups and brought together to discuss and evaluate the concepts described in the ad copy. Two groups are held on the first night, 5:30 and 7:30 p.m. or 6:00 and 8:00 p.m. Careful attention is paid to positives and negatives common to both groups.

  A method that has been found to be useful to help overcome any biases introduced by a dominant panelist is to have the moderator of the group ask the panelists to score the idea being evaluated on a scale of one to ten. The panelists would mark the copy being reviewed and, then, when the discussion begins, they would be asked to read their score and defend it. In this way, if one person is very negative, this negative attitude can't change the other's score, and a more balanced review is maintained.

  Following the initial set of focus groups, another brainstorming/review session is held to incorporate the ideas generated by the participants. Copy and layouts are revised accordingly. Then, the revised ad copy is taken to an additional set of focus groups for further evaluation and feedback.

  The additional product modifications uncovered in the second set of groups either confirm and support the revisions or lead to new modifications. This second set of groups is then followed by yet another recap and summary session. Additional groups are scheduled if necessary. This far, qualitative data has been collected on the proposed products and/or on the revisions.

- ***"Other Related" Workshops:*** Like the consumer focus groups, the "other related" workshops are the forum to determine positives and negatives regarding the new product, just tested using focus groups. The objective of the workshops is to uncover any major problems or flaws that would prevent the new product from smoothly moving through the company's various departments. Changes and revisions are then incorporated into the product. If the changes are radical or major in nature, then further prospective customer workshops may be necessary.

  The focus group-workshop findings are utilized to develop actual sales material which is "simulator-mailed" to prospective customers along with a simulator questionnaire.

e. Simulation. Through the simulator technique, market acceptance statistics (response and revenue figures) are generated for the proposed new product. In addition, consumer opinion data is collected so that further modifications to the product/offer can be made where necessary. At a DMA Seminar (Spring 1983), Bob Stone stated in his luncheon speech that, in the 1980s, research techniques like *simulators* will be needed to assure a competitive position in the marketplace.

- ***Product Simulators:*** Prior to actually offering a product in a live test mailing, a simulator test is conducted. Typically, there are between three and ten possible product/list combinations that come out of the workshops—the product with this feature at this price vs. that feature at that price, and so on. The real value of the product simulator is that it obtains vital answers to strategic product questions *before* a system has been developed to manufacture, sell and service the new product. Before manufacturing, financing, inventorying, making computer system changes, and alerting competition, key statistics are generated to indicate the one or two best product versions.

  A few of the key data items that should be collected from a simulator are: Response propensity (live mailing type data: sales rates, revenue per sale, utilizing computer models comparing live results with parallel simulator results); demographics of buyers vs. non-buyers; reasons for buying/not buying; desirable payment modes and methods; product positioning, feature importance and believability; and systems support needed.

  The simulator mailing is composed of: postcard notification that a simulator package will be sent; simulated ad copy; either a two-color brochure and order card, or a letter and order card, or a complete ad package (letter, brochure and reply device, or print ad and coupon).

  The simulator questionnaire should have a cover letter, and the questionnaire itself should contain key questions related to response and financial behavior; questions on product features, benefits, offer aspects, competitive activity and demographics.

  Other components: Incentive pen (for respondent to keep); outer envelope; business reply envelope; mailing label; sample size per cell—typically 1,500 to 10,000 depending on list and objectives.

- ***Sample Simulator Questions:***
  - What would be your reaction if you had received the enclosed offer in the mail? What would you do?

- Which plan would you select if you were to apply for the product offered?
- To help us clearly present the plan in future advertising, would you please use your own words and describe the product being offered?
- Listed below are "features" of the product advertised. How you feel about each one? (Please indicate by circling one number after each "feature" depending on how you feel about it.)
- For statistical purposes only, please answer each of the following questions.

Careful analysis of the returned simulator survey is required in order to develop the above data. With trial and error, equations can be determined that result in predicting response to within 15% of the actual response rate.

- ***Simulator Use.*** The usefulness of the simulator for direct marketers is enormous. All large and small product changes can now be analyzed and tested without having to actually offer the product for sale! This method can, therefore, be used to pick winners and most importantly avoid failures.

  The simulator also helps identify why a mailing offer worked as it did, why it was successful or not, and how a company can change its direct mail advertising to develop better advertising packages.

f. Feasibility Study. The data provided by the workshops and simulators are then combined into a study analyzing the financial aspects of the new product offering.

At first (mid 1970s), simulator data provided only crude predictions of which mailing offer was best and which one was worst. But over time, this technique has been refined to predict response rates, revenue per sale, and other financial data needed to perform an analysis to choose product X over product Y. The feasibility study phase uses these statistics and generates basic pro-forma statements to pick the relatively best product from among those tested.

The simulator survey questions also lend support to product decisions—looking at image question results, demographics and the like. Also, inputs from "other related parties" are evaluated (systems' questions on plans purchased, payment plans desired, etc.) and a comprehensive feasibility report prepared. At this stage a product can be rejected because of profit, distribution, legal, systems, and/or manufacturing problems, thus saving the company untold dollars.

A successful product can continue on to the next stages.

g. Promotion Research. If the direct market product will be supported by TV, radio, newspapers, or magazines, then traditional testing methods can be employed to design the best commercials or ads. Audience testing of TV commercials such as done by McCollum-Spielman can be employed to test rough commercials. Proposed magazine ads can be prepared and subjected to simulator testing as described under "advertising simulators."

h. System Development. During this stage, computer system modifications can be made based on the results of the product simulators. Key systems data should be worked into the product simulators in order to evaluate and build optimal systems. For example, if a new insurance health product was tested, and it was determined that only six of the 15 offered health options were "bought" by the simulator buyers, then the system should be designed around the six, not all 15. Thus, savings in time and people in programming are realized.

i. Advertising Simulators. Like the product, the advertising simulator is used to predict the best advertising without having to do a live mailing. Many varied and novel approaches can be tried to pick the one or two copy and layout combinations that produce the most "buyers." Live offers can be developed around "winning" platforms.

The benefit: a hit or miss approach in live testing is avoided, and copy direction is set for optimizing live results.

An advertising simulator is made up of actual advertising copy, art work, and reply devices (print "specimen" across the front to avoid liability for a sale), as well as the simulator questionnaire and cover letter, pre-announced postcard, incentive pen, and business reply envelope.

j. Segmentation Analysis. Before discussing the design and set-up of a pilot test model, it is useful to review some of the various techniques that are currently used to segment and target mailing lists for direct response products. Techniques currently being used may be classified into the following approaches:

- Second guess approach
- Past sales experience
- Using management goals
- Focus groups
- Survey approach
- Source codes
- Statistical techniques
- Heuristic model

Second Guess Approach. Decisionmakers often have a "hunch" that a particular product would be a "hot" item to market to a certain segment. Typically, such groups as recent mail order buyers, families, and/or new (internal) accounts are thought to compose good prospects. While this technique is simple, quick and sometimes "works," it neither guarantees success nor is it an optimal solution as to the question of "who to mail" for your product. It might be considered a "hit or miss" approach at best.

Past Sales Experience. This method might be thought of as an "informed hunch" approach. Rather like the second guess approach in that it uses a guess for targeting mailing lists, it does, however, use results based on past mailings to indicate potential buyers for future mailings. Past sales experience might reveal that such groups as new movers, active accounts, and new families were "good" groups to sell. Particularly for cross-selling and up-grade programs, this method may be thought to be useful. The technique is simple, fast, often works, and it has past experience to back it up.

However, again like the second guess approach, it does not guarantee success, especially for a new product, new list, and/or new product/list combinations. In addition, it is not an optimal approach even for a previously tested product and/or list, because it does not take into account such things as seasonality factors, demographic list changes or changing economic or political situations. By using past sales experience as a segmentation technique, one assumes a static marketplace which is hardly the case in our fast-paced, ever changing society.

Management Goals. When using the technique of management goals, the direct marketer is often asked to design mailing campaigns around a market decided upon by upper management. Management's goals may be based upon futurists' projections, new laws, or even current fads. For example, management may decide to "go after" families with or without children to build up that particular book of business or Fortune 1000 buyers. In addition, management may decide that the company needs at least $X per month in sales, and, to meet that goal, recommends a particular product/market mix.

To meet these goals, the direct marketer looks at the total program for the year and selects mailing lists that fit their objectives. Measurement of results would be reflected in the company's income statement for the year or in the income statement for the total program.

As with the other approaches, using management goals for segmentation of lists does not guarantee success for each of the individual mailings or for the program as a whole. There is, also, the potential for the loss of thousands and even hundreds of thousands of dollars before an unsuccessful program is stopped, due to unprofitable mailings.

Focus Groups. Focus group testing involves the technique of using small group discussions by consumers to evaluate advertising, products, or ideas. By observing the discussions through a one-way mirror, market researchers can get an idea of how their product is perceived by their target market. Very often, it may "appear" that "seven out of ten" participants liked the product or idea and that they would buy it. And, sometimes these results are used to "roll-out" a product, often with limited or no success at all.

Unfortunately, when marketers use this technique for segmentation purposes, they are applying a qualitative market research tool to a quantitative problem. Focus group testing can *in no way* quantitatively define your product's market and should never be used for such purposes. See the section under *Strategic Workshops* for a more thorough discussion of focus group testing.

Surveys. Often, direct marketers may use survey research to segment their mailing lists. This may be done in one of the following kinds of surveys, or a combination of several:

– **General market surveys:** Mail, telephone, or personal interview survey research may be conducted to get an idea of which group of consumers might like a particular product in terms of demographics and psychographics. A count of "definite" buyers may be done.

– **Past buyers:** Surveys of past buyers may be conducted to determine what they most liked about the advertising or product that they bought. A description of list attributes may be collected.

– **Non-buyers:** Consumers who received a particular mailing may be surveyed to determine reasons why they did not buy. List attributes may be collected to determine groups to avoid for future mailings.

– **Cancellations/Terminators/Lapsers:** These groups may be surveyed through mail, telephone or personal interviews to determine reasons for cancelling or dropping a product or service. Again, direct marketers may take note of various demographic and list attributes to determine whom not to mail in the future.

– **Panels:** Surveys may be conducted through the use of national consumer panels to determine demographic and psychographic descriptions of potential buyers.

Survey research, although very helpful for giving insights as to why a particular package, advertisement, and/or product may or may not "work," is not a statistically valid method of targeting a mailing file unless the sample sizes are very, very large.

Conducted properly, classes or categories (large segments) can be identified to point out demographic or psychographic groups or buyers vs. nonbuyers. While not valid for pinpointing cutting points for a segmentation model between profitable list segments and unprofitable ones, surveys can direct you to lists or list segments to live-test and to lists or list segments to avoid. In addition, surveys can aptly test management's "hunches" as to whether or not they are on the right track.

Source Codes or Mini Matchkey® Analysis*. Another favorite method for segmentation that direct marketers use is kit and list codes. Codes may be grouped according to list attributes such as date of last purchase, balance due, credit scores, or date opened (of account). Mailout counts of these categories can be made at the time of list processing. These counts act as the base upon which sales will be compared to find high vs. low responding groups. Returns may be counted manually or by computer (a good use for some personal computers), and a response rate is calculated by categories.

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*Matchkey® is a registered trademark of Direct Marketing Research Associates.

If there is a good discrimination in terms of response rates between the list attributes that are selected for the list codes, this method may be useful to select segments for a future mass mailing, based only upon the list attributes that were tested. Again, however, this method is "pre-guessing" (from a test mailing) which segments may be useful to mail in a "roll-out" campaign. By "pre-guessing" list attributes to be coded and counted on the mailout and mailback form, the direct marketer is overlooking misgrouped data, other list data which could be even more discriminating in defining buyers and non-buyers. This method can be very useful if you only mail to lists with very few list characteristics, and all combinations can be coded.

Statistical. In recent years, direct marketers have begun to use several statistical techniques and packages to segment mailing files. These techniques are based upon the use of independent and dependent variables with X being the independent variable and Y being the dependent variable. The dependent variable is expressed as some function of the independent variable, i.e. $Y = f(X)$. Some statistical methods that are currently being used are:

- Graphic Methods
- Regression Analysis
- Path Analysis/Tree Diagram
- Cluster Analysis
- Heuristic Model

– ***Graphic Method.*** The graphic method (plotting response rate by each variable) can be simple and fast to perform if there are only a few variables to be analyzed. However, if there are many variables involved, it can be time consuming, and mechanical assistance is required. Also, when using this method, the direct marketer needs continuous data, i.e. data that is on an ordinal scale where one number is greater than another number. Often, however, data is not continuous and cannot be used with this technique. In addition, the analyst must be aware and cautious of the subjective nature of the plotted line.

– ***Regression Analysis.*** Regression analysis is a mathematical approach to the solution. This type of analysis can handle complex data, but it assumes that the data is linear or some other simple function. Data must be additive in nature, i.e. age. Non-additive data such as income/male vs. income/female (nominal data) needs special handling and solutions. Moreover, the market analyst usually needs a computer and programs to run a regression analysis. Once run, the analyst needs to re-run the data to "score" the file, to project response rates, to determine the percent of list, and to determine response rates by group—so that a mass mailing decision can be made on to whom to mail and who to purge.

– ***Path Analysis/Tree Diagrams.*** Data in this type of analysis is treated like source codes in that response rates are tabulated for all combinations of nominal variables (or pre-grouped internal data). It maximizes the proportion of the independent variable for a "tree-group" by splitting the dependent variables into groups. Bimodal results (two modes, or more, having equally-high frequencies) need special solutions. Computer packages that use this technique are usually limited by the number of variables that can be analyzed at one time, as well as the number of values of each variable.

– ***Cluster Analysis.*** Cluster analysis involves the grouping of variables by similar characteristics such as income, age, number of years at address, etc. A reduction of data is accomplished through a factor analysis. This form of segmentation is very expensive if files and data to be reduced are large—over 30,000 names and over 50 variables. Computer costs can run into thousands of dollars for a single run (correlation matrix, then cluster groupings).

Once clustered, response and sales statistics are computed for the clusters. While clustering does not have to be redone frequently, every time a real change occurs in the underlying data, it is advisable to re-cluster.

When using "census" or other geographic data for segmentation, a clustering approach is usually done to reduce the hundreds of census variables down to a manageable few. Then, the clustered data is analyzed.

There are limitations to some of these computer analysis programs/techniques. When examining the data to be analyzed, it is important to keep in mind the types of data and how they should be interpreted. The following section reviews the different kinds of measurement scales that may be encountered when running an analysis.

Nominal Scale: A simple property of a number is its identity.* A person's account number is an example of a nominal scale. Other examples are a sex code or a source code. These types of variable values, although not suited for regression analysis, may be interpreted individually (using an AID program) for meaningful response classifications.

Ordinal Scale: Another property of a number is that of order. The number "2" is greater than the number "1" and "3" is greater than both "2" and "1". An example would be the assignment of a number "1" to denote freshmen, "2" to denote sophomores, etc. Other examples would be a credit rating or scoring. These types of variable values can be grouped together and response rates for these groups can describe behavior in a meaningful fashion.

Interval/Ratio Scale. A third property of numbers is that the intervals between them tell how far apart objects or items are with respect to the attrib-

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*Churchill, Gilbert A., *Marketing Research: Methodological Foundations*, The Dryden Press, Hinsdale, IL, 1979, p. 208.

ute. The *differences* can be compared. Thus, the difference between "1" and "2" is equal to the difference between "2" and "3." Further, the difference between "2" and "4" is twice the difference between "1" and "2." The zero point of such a scale is quite arbitrary.

The ratio scale differs from an interval scale in that it has a *natural* and *absolute* zero. Height and weight are examples. With a ratio scale a comparison of the absolute magnitude of the number is legitimate. For exampie, a person weighing 200 pounds is said to be twice as heavy as a person weighing 100 pounds. In addition, with a ratio scale we can compare intervals, rank objects according to magnitude, or use the numbers to identify the objects.

Ratio scales do not allow the addition of an arbitrary constant as in the interval scale. The conversion of feet to inches is an example; a foot is exactly 12 inches. All of the relationships among the items are preserved, whether the comparison is made in feet or inches.

Examples that are typically encountered when running an analysis that illustrates interval and/or ratio scales would be such variables as Age, Date Open and Dollar Amount of Purchases. These types of variable values must show some type of direct or indirect response relationships to be meaningful. If this is not the case, then they should be grouped by response and treated as ordinal data. These data items are suitable for regression analysis, but not for an AID analysis that calls for groupings of data before their responsiveness is known.

Some computer analysis programs/packages assume that the data displays linear relationships only, which is not always the case. Others require you to group the data into "binary" variables before the analysis, i.e. male or not male, age 30-35 or not aged 30-35, bought before or did not buy before. These groupings may not correspond to actual buying behavior, and their analysis will not show all of your profitable and unprofitable segments.

In addition, they can be much more expensive in actual execution and interpretation than a Matchkey® approach. Also, if you mail 200,000 or more during your test, computer analysis packages may require many thousands of dollars in just computer costs to analyze.

Many of the statistical methods, however, should lead to segments of prospects that statistically responded at or above the target response rate, more so than "second guessing" to whom to mail.

Heuristic Model: Matchkey® Analysis. The Matchkey® analysis approach described in this article may be viewed as a heuristic or learning approach to the problem. The model can describe a particular situation with very complex data. A global optimum solution is not guaranteed. However, the approach does combine statistical methods based on the data types of the variables being analyzed, in near optimal combinations by using step-by-step computation. Again, a computer is needed for the handling of data files. A detailed description of the steps that are involved follows.

k. Pilot Test Model: Matchkey® Approach. A pilot test or live test is a most crucial step. If designed wrong or biased in any way, the results become meaningless, not to mention the loss of real expense dollars for the mailout and lost future dollars.

It is during this stage that the scientific approach becomes most valued. Using the statistics of hypothesis-testing and sample size determinations, a properly designed live test practically guarantees success for a product tested under this model.

Elimination of Biases. Properly designed live tests call for the following:

- Test grid
- Sample size determination
- List processing
- Matchkey® analysis
- Buyer/non-buyer surveys

– ***Test Grid.*** A test grid determines if the right variables of the offer, list, and advertising are being tested. For example, the following would test two copy approaches (e.g. price and benefits), two lists (in-house and over 50 year olds), and an incentive vs. none:

		LISTS	
No Incentive (0)	Incentive (1)	IN-HOUSE (1)	OVER 50 YEARS OLD (2)
COPY	Price (A)	1A1 1A0	2A1 2A0
	Benefits (B)	1B1 1B0	2B1 2B0

(Key: List, Copy, Incentive, i.e. 1AO means in-house list, price, copy and no incentive)

Each box in the grid is called a cell. If a third list were added, four more cells are needed. Without such a grid, it becomes more difficult to develop cell codes and to visualize what is being tested. With a grid, if something is incorrect, changes may be easily made.

– ***Sample Size Determination.*** (See earlier discussion for details and how many to mail in each cell.) Often, the cost to test all cells is more than the available budget. To overcome this problem, consider the following:

- Increase the budget.
- Reduce the confidence range of your tests. In effect, mail less per cell. However, it is more difficult to decide a winner since statistical accuracy is reduced.

Carefully study the test grid to "see" if all the cells tested are absolutely necessary. For example, try the in-house list just on copy approaches or drop the incentive test.

Collapse cells. Instead of testing the incentive in our example as individual cells, mail half as many in the incentive cells. Then compare copy A + B + no incentive + list 1, to copy A + B + incentive + list 1, and do the same for list 2. Next compare 1 + 2 + no incentive + copy A to list 1 + 2 + incentive + copy B. If the "incentive" cells always have statistically valid response rates greater than "no incentive" cells, then apply the average incentive increase to the best "no incentive" cell—in order to project its response rate when coupled with the incentive. This and the response rate from best cell and incentive should turn out to be statistically equivalent. The latter could not be used directly since too few pieces were mailed for this cell to be separately analyzed. (This method is not recommended if precise projections of test data are needed, as it gives, at best, a calculated response rate.)

– ***List Processing.*** This aspect is your gold mine or salt pit. Too often, we gloss over this stage and end up missing the opportunity to guarantee some profitable mailing segments for a mass or roll out mailing. List processing is the scientific development of an analysis file constructed during the selection of the test mailing list(s).

With all data coming off computer files, we have the opportunity and obligation to create as rich an analysis file as possible. Generally, the more information the better. The analysis file is composed of the names and addresses and key codes of each person selected for the test, along with all your company's accounting information about each person mailed; direct response buyer information; gender information (Mr. = males, Mrs. and Miss and Ms. = females; or male names = males, females = females, initials = initials, misspelled names = unknown); ZIP code, carrier route, and/or block group data plus source of list or name information. In addition, if a merge/purge took place, data on list 1 and 2 and 1 and 3 or 1 and 2 and 3, etc. should be retained, since this is valuable analysis file data.

Match test lists to other in-house and outside files and create powerful enhanced lists. Files that may be used include: Census files (ZIP, carrier route, block group level); age-actual or inferred; driver license information files (VIN data); other in-house files; and mail order buyer files. Often, mailing and data files can be obtained from list brokers who charge according to use. A good business strategy is to negotiate these files for a small charge during the test and then pay for it only if used for the mass mailing. This will also benefit the list broker who will make more money on mass mailings than on test mailings.

This analysis file is now your gold mine. And the beauty of this approach is that you do not have to "guess" which are the better lists. The analysis of your sales matched to the analysis file will show your segments on your list(s) that are responding at profitable rates and point out all unprofitable segments.

The targeting process works on lists of 20,000, 50,000, 1 million and 25 million. In fact, if your list is 20,000 to 80,000, and everyone is mailed your offer (in other words, no testing), you can still perform a Matchkey® analysis. An analysis file should still be created during the list processing stage. Treat your 20,000 mailing as your initial test to determine profitable segments for an immediate remailing. In this way, the original or initial mailing gives you "full" research data for your second, targeted remailing.

The analysis file data should include such specific items as: A match code for matching sales to the analysis file; date of last sale; original date a customer was entered on the file; dollar amount of purchases; number of purchases; current balance owed; product(s) bought; gender; and data from other lists matched.

When processing, careful attention should be taken to "clean up" the files. Erroneous data, bad names, duplicate names, etc. should be eliminated. In addition, documentation should be kept of the processing and the *record formats* of all files, both input and output. When setting up analysis files, a *retention date of at least one year* should be put on the tape or disk label information. This is to enable you to do a post mailing overlay analysis, as well as to check for mistakes or anomalies later on.

- ***Data Collection: Sales.*** Collection of sales data, while seemingly simple, can be easily mismanaged. Erroneous or missing data can result. Your sales data's accuracy depends on several people as it is being collected. Thus, it is important to continually monitor this process with one person in charge of monitoring the data collection. Sales data can be collected in several ways, including:
  - – Copying of applications upon receipt, then keypunching the data to either computer cards, disk or tape;
  - – Keypunching directly onto cards, tape or disk as part of an established system for application (or order processing). Note: Use computer files of buyers cautiously. Very often, there is no provision for a Matchkey® (or editing of a Matchkey® field). Consequently, the file processing may be relatively slow. Sales may be missed if not immediately input and not all sales data is keyed. Dates and kit codes should probably be collected as a check.
- ***Copying of Applications.*** This method, the more cumbersome of the two, can be more easily monitored, controlled and accurate. The steps involved are:

– Specially coded test applications can *come back directly to the mail-room* (as with a regular mailing) or they can have a special *Business Return Envelope (BRE) or P.O. Box with the research department's address*. The latter method is preferable.

– Research Department BRE: Sales data is collected immediately for research purposes as applications are received with sales data. The application can (should) be keypunched within one to two days of receipt. After keypunching, applications are then sent to the regular order processing department. No photocopying is involved. Keypunching can be done on an in-house machine or by an outside vendor who is able to make daily pick-ups and deliveries of applications.

– Direct return to the mailroom: If this method of tracking returned applications is selected, the coordinator of the project must insure that the following steps are taken: The test application should contain a special code to distinguish it from regular order applications; if the original application is kept by the order processing department, photocopies should be made. *The copies should be clear and contain all the information (application information should not be "cut-off" by poor photocopying procedures)*; and photocopies then go to the research department for keypunching or go directly to the keypunching service.

- ***Keying Directly As Part of An Established Or New System.*** If the order processiing department can work with you and is able to adapt their information processing to meet your research needs, direct keying can be accurate, helpful, and less cumbersome than the prior method discussed. However, personnel, time, or record format considerations of the order processing department often make a smooth relationship difficult. If this method is chosen, the following should be noted:

  – A special code should appear on the test application to distinguish test sales from regular sales.

  – The record format directly keyed onto the system should meet all your research needs. This record format should include the Matchkey® code.

  – The keying operation should be monitored as sales are received.

  – All sales information, contained on a tape or disk, should be accessible at all times.

  – For all methods, daily counts should be kept for all incoming test applications and, ideally, a graph of returns vs. time should be kept to determine when to "cut-off" the collection of sales information. Generally, the cut-off is four to five weeks after the drop date. However, the cut-off time should be based upon your knowledge and prior experience with the offer. Also, returned "sales" can be reduced for final analysis by non-paying customers, returners or other bad debt sales.

- ***Record Formats.*** The record format built from the sales application should have the following information:

  – Matchkey® code (either assigned sequence number, account number or Matchkey® code built during list processing). The Matchkey® code may also be built from the name, address, and ZIP code taken from the application upon receipt. However, if the address has changed, the Matchkey® should be built on the original address to insure a match against the originally mailed record.

  – Order information: product(s) bought; type of product bought (if applicable—i.e. standard or deluxe); who bought for (if applicable—i.e. individual, spouse, children); and amount paid for product(s).

  – Special information: i.e. underwriting or credit information (health information, for example, for insurance offers); birthdate; deadline dates for buying; and catalog page numbers, order codes, etc. if needed for segmentation.

The order information is used to give you a profile of who bought and what type(s) of product(s) were sold. In addition, the total dollars generated by the offer can be computed. This information can be especially useful if two or more test kits are mailed, as the "winning" kit is usually based on total dollar sales, return on investment, etc. rather than response rate alone.

Special data such as customer quality information (i.e. underwriting data for insurance companies or credit data for banks or retail establishments) can also be especially useful when determining total net or "good" sales. For example, if there are underwriting concerns because of answers to questions on the sales application, these can be simply eliminated during the first Matchkey® run.

Sales record formats can be general (to fit most mailings) or they can be customized for each mailing. The Matchkey® code and order information, however, should always be included.

- ***Checklist To Avoid Problems.*** This section contains key questions that should be asked to prevent errors during data collection for the Matchkey® Analysis.

- Printing and outgoing mailroom procedures:

  Are all test packages inserted correctly? Do they contain all the pieces that make up the mailing?

  Are accurate counts kept?

  Are all test packages dropped on the correct drop date(s)?

  Are Matchkey® codes correctly assigned and printed (not cut-off or missing) so that they appear on applications that are returned?

  Are kit codes correctly assigned and respond by dates accurate?

- Incoming mailroom procedures:

  Are all test applications sent to the right department? How fast are they sent?

  What happens to undelivered mail from the test? Is the undeliverable rate over 5%?

- Copy of sales applications: Are clear and complete copies made of all sales applications? Are daily counts kept? Are any duplicate copies made?

- Keypunching or inputing data onto the system:

  Are applications being correctly input with all data recorded? Note: It is helpful to put a card number in column 80 on the sales record so that an 80 column record is read in on the sort and read out as 80 columns long.

  Are all copies keypunched?

  If tapes are made, are they correctly formated and kept? Are they documented? Are only test sales on tape?

  Is enough time allowed for all sales applications to be collected?

– ***Matchkey® Analysis Technique.*** The key tool for direct marketers is the Matchkey® analysis. Having properly handled the list processing aspect, collection of sales, elimination of bias, and use of proper sized samples, one can match sales (using the Matchkey® on the analysis file and the same key on the sales reply device) to the analysis file. A credit card account number can be the Matchkey®. When such a number is not available, then a single sequence number can be used, or an alphanumeric match code made up of prospect's name, address, and ZIP code. (Careful attention should be made to cleaning out duplicates or specially coding them, in order to assure an accurate match.)

- ***The Analysis.*** The following changes affecting direct response that can be continually monitored by using the Matchkey® Analysis are:

  - Advertising changes. Advertising packages (including copy and graphics) can affect response rates.

  - Changes in data on lists. Daily, monthly or yearly changes in such list variables as purchase behavior, credit charges, balance, etc. can be analyzed.

  - Changes in buying behavior. Buying needs and, thus, the consumer's behavior, are continually changing in response to such factors as economic conditions, family composition, and lifestyle. These will affect response rates. Because of these changes, all segmentation models "wear out" very quickly and should *not* be relied upon for more than six months after their creation. Advertising changes affect response rates. Thus, a segmentation analysis must be redone. This also applies to changes in list data and the buying environment.

Matchkey® analysis offers the following advantages over other methods of analysis:

- Does not require any particular computer system or set of data as required by some other systems.
- Uses existing customer file information such as: Current accounting data; Historical data; Response data; but it is not limited to these data. It can be readily adjusted to handle 160 census variables along with current in-house data.
- Can be used with list enhancement techniques. For example, an outside list (with data enhancements) can be overlayed with an inside customer file to produce an "enriched" list of targeting variables. This overlay can be used to respond to changing conditions.
- It's flexible: Can easily accommodate new or changed file formats.
- It's user-oriented: Developed by direct market researchers and can be easily used and modified.
- Allows the analyst to control the data and not rely on purely computer-/mathematical techniques.

Target response rates for a mailing or telemarketing should be determined by management before the analysis begins. They are typically based upon break-even or return on investment criteria. The Matchkey® analysis system is used most optimally when target response rates are predetermined.

Once the sales have been computer-matched to the analysis file, the analysis can begin. There are several approaches possible: Single variable frequency and then cross-tabulation of variables that appear to be key indicators of buyers. *For example:* See chart numbers a). to c). below:

Variable Dollar Balance Currently Due	**Mailed**	**Sales**	**Percent Sales**
$0	25,510	120	0.47%
$1 to $10	51,300	320	0.62
$11 to $25	43,180	330	0.78
$26 to $50	31,250	280	0.90
$51 to $100	28,310	300	1.08
Over $100	49,230	600	1.22
	228,780	1,950	0.85%

a). There appears to be a direct relationship between balance due and sales.

Gender First Name	**Mailed**	**Sales**	**Percent Sales**
Male name	137,270	1,480	1.08%
Female name	52,110	330	0.54
Initial (no first name)	25,380	90	0.35
Unknown name	14,020	50	0.36
	228,780	1,950	0.85%

b). There is statistical proof that males are the best buyers. If we need 0.80% or more in order to break even, we might conclude that we should mail to males only to get the maximum list mailable. However, if you cross-tabulate female names with high balances (over $100) we might find another profitable segment.

Cross-Tabulation of Female Names and Balance Due

Variable Females	**Mailed**	**Sales**	**Percent Sales**
with balance:			
$11 to $100	15,185	41	0.27%
Over $100	22,220	200	0.90
	37,405	241	0.64%

c). Now, looking at female names with a balance over $100 we find their response rate to be 0.90%. A 90% confidence limit on that rate is 0.85% to 0.95%. We can, therefore, add in this segment, since the lowest projected response would still be above the 0.80% break-even rate.

- ***Case History: Matchkey® and Regression.*** A recent analysis, for a large U.S. direct marketer, studied the difference between regression and Matchkey® analysis. The regression analysis developed values of 0 to 100 for each name mailed and concluded that 0 to 20 would be unprofitable to mail; thus, values 21 to 100 were profitable to achieve a 0.35% response or above. Matchkey® analysis found that groups 1 to 7 were profitable to achieve a 0.35% or above, and group 0 (remainder) to be unprofitable. A cross-tabulation of the two methods resulted in the following:

Actual Response Rates (7/83 Analysis)

	Regression Model Decision		
Matchkey® Decision	**No Mail**	**Mail**	**Total**
No mail	0.09%	0.10%	.09%
Mail	0.40%	0.50%	0.46%
Total	0.20%	0.36%	

Size of Segments

Matchkey®	**Regression**	**Universe (2 Million names)**
No mail	No mail	14% of list
No mail	No mail	21%
Mail	No mail	28%
Mail	Mail	37%
		100%

While regression did find segments that would achieve the sales goal of 0.35% or above (37% of the universe), the Matchkeyed® groups obtained more names and response and thus were not profitable (about ⅓ of the regression group was unprofitable as it achieved only a 0.1% response).

- ***Checklist to Avoid Problems: Matchkey® Analysis.*** Following is a checklist summarizing things to watch for when conducting a segmentation analysis:

  - Poor Documentation (of analysis file)
  - Mailout Tapes Prepared Incorrectly: No data; less data than requested; erased data; values not expected; garbage data.
  - Schedules Not Met
  - Poor Collection of Sales: Original data changed; photocopying; less than 100% are collected; duplicate sales.
  - No Matchkey® (or truncated)
  - High Mailout Destruction—Not collected
  - No Counts/Reports of Quantities Mailed out
  - "Data Processing Blocking": Less data than possible is provided; non-direct marketing attitude by D.P.
  - Selection Not Random
  - Misprinted Codes: Source codes; matchkeys; kit codes;
  - Error in Ad Package: Too much delay between analysis and mass mailing; Seasonality effect on data

Any number of customer data bases have become candidates for target marketing, but they have not proved successful in isolating buyers from nonbuyers. Many times the single reason is that the data about customers and customer lists in general are not composed of "clean" facts about the customer. Often times they are full of duplicates, coding errors or old data. Therefore, before a full scale Matchkey® analysis is undertaken, careful and meticulous effort should be taken to clean-up the files. This clean-up can net out a profit by eliminating erroneous data, bad names, duplicate names, etc., and, in the process, give your customer better service through cleaner transactions.

- ***Bonus Analyses.*** The Matchkey® analysis technique can be most helpful in performing a special task—determining the effect of a direct mail offer on agents, salesmen, or retail sales. A perennial problem in direct marketing is determining whether a direct mail offer helps, hurts, or has no effect on other sales made by other distribution methods (salesmen, agents, store retail sales). To answer the question, the researcher merely sets up two samples: a mailed sample and an identical unmailed sample (called the control sample).

  Then, after the mailing takes place, computer match (by alphanumeric match code) all salesmen, agents, and/or retail credit customer sales that were posted after the mailing took place to both samples. In reporting the difference in matched sales between the two samples, show what effect a mailing has on other distribution systems' sales. If the mailed group's sales are higher than the non-mailed group, it would appear that the mailing boosted other distribution systems' sales. And if the mail sales were profitable, your company has the best of both distribution systems. Of course, the opposite could occur and should be reported.

  Analysis and buyer files should be also kept so that a *post mailing overlay analysis* can be performed. This analysis calls for taking outside files, census files, other in-house files and overlaying them on your analysis and buyer files to "see" how your mailing's performance can be enhanced by the data on these "other lists." These overlap-analyses can prove to be both profitable and very revealing by identifying your buyers from non-buyers and giving you a "picture-profile" of them.

– ***Buyer/Non-Buyer Survey.*** Questionnaires are sent out to both buyers and those receiving the mailing to ascertain qualitative and quantitative data about why the mailing worked as it did. At least 2,000 questionnaires are mailed per tested cell, and all buyers are surveyed. The questionnaire looks for answers such as:

Was the mailing recalled, read and considered? And how do these rates differ by kit tested?

Why did the reader reply or not reply to the offer?

What did the reader think of the product/services, offer, features, and advertising copy?

Was the advertising copy headlines and offer believable?

How important were the product's features? Are the most important features also believable?

Demographics of buyers and non-buyers. And, who liked/disliked the various features of the product? Clues for improvement?

What are the readers' opinions of other products/services being offered or planned to be offered? (To get insights into cross-selling possibilities.)

The non-buyer questionnaires are mailed out 10-15 days after the mailing itself is dropped. The buyer questionnaires are sent out as buyers' enrollment forms are received by the company. Any non-buyer questionnaires that indicate that the person bought are coded into the buyer group and are so analyzed.

These surveys help management "understand" the sales process in terms of customers' attitudes and opinions. The results are used to develop or modify new advertising to further maximize return on the direct mail investment and better describe your product to the customer.

Often, "key" features (as revealed in buyers' and non-buyers' ratings of product features) are only mildly mentioned in the actual advertising package, whereas "soft" features are headlined. By using buyer/non-buyer surveys to realign your advertising, it can be strengthened along with the image and your overall sales.

I. Investment Analysis: Using the sales and revenue data and target groups from the Matchkey® analysis or other statistical test, profit and loss projections can be developed and decisions made accordingly.

Assuming the pilot test was conducted correctly (biases controlled, the lists mailed were sampled properly, and the sample sizes were correct), then the resulting test sales statistics should accurately predict a mass mailing's potential.

Mass Mailing: This is the stage where all guesswork is eliminated. You know your sales rates and projected total sales. The key functions here are the control and management of schedules and expenses to assure the most efficient and effective mass mailing. When compiling a programming request to select records for a mass mailing based upon your Matchkey® analysis, note the following points:

Compile a list of necessary merge/purges

Compile a list of the selects necessary in the order conducted in the analysis program

Computer fill values (if necessary)

Analysis file specifications (if necessary); specify the format

Codes (for test grid, if necessary)

Counts/reports needed

And there are other opportunities too. When you mass mail you might consider side pocket tests at the same time to determine:

If a slightly modified ad kit would outpull the mass mailed kit based on buyer/non-buyer surveys.

What the "fall off" factor is for re-mailing the kit a second time. Here you mail the "winning" kit's test cell names again to see how much the response rate drops or falls off. If it holds up, it might indicate that a second quick remailing of the mass mailed list would be profitable.

A new advertising kit, assuming you can develop one fast enough to mail it with the mass mailing. An argument can be made which states that once mailed, the best kit (your next test mailing's control kit) will always lose, since it's been mailed to your list once already during the mass mailing. Therefore, a new or modified best kit should be the control on your next test mailing.

The key aspect of success for the test-to-mass mailing is timing. The targets discovered in a test mailing will not hold up very long. A rule to follow is: pull the test list in month 1, test mail by month 3, analyze by month 5, pull the mass mailing list in month 5, and mass mail by month 7. Extending this model only causes the targeting segments to deteriorate and results in less accurate projected sales.

Special Considerations

1. Skills of a Direct Response Researcher

The researcher should:

- Be an observant and effective communicator
- Be knowledgeable of how a sale is made
- Have extensive product knowledge
- Be logical and plan the research with management
- Execute the sample selection
- possess knowledge of statistics
- Be knowledgeable of computer systems
- Have a fairly good understanding of computer programming and usage
- Be able to draft questionnaires, coordinate focus groups and develop the main analytical line for analysis.
- Be creative and go beyond the task outlined.
- Be outgoing, a team player and capable of taking responsibility for completing the job on time.

2. Access to Data Processing Facilities.

More and more, the 1980s will see direct marketers, computer programmers, and systems analysts become more interdependent.

Marketers will have to become very familiar with data processing, programming, and systems analysis as it works in direct marketing. Test mailing requires a thorough knowledge of data processing in order to assure that you obtain both maximum potential from the list (maximum number of names) as well as the necessary randomness (so that it will project out on a mass mailing).

To perform list processing and Matchkey® analysis, extensive access to a data processing facility is needed. Most companies who are entering the direct marketing field have D.P. facilities for accounting purposes. However, these same computers can be used for direct marketing purposes. There are no rules of thumb as to the cost and size needed for D.P. facilities.

If you don't have access to D.P. equipment, there are numerous service bureaus available. You can probably save money by using them as processing centers. Programming and analysis can be done with in-house staff or through special consulting groups or direct marketing vendors who specialize in such programming. In this way, your staff or vendors become more familiar with your needs and need less time for subsequent mailings—thus saving you money.

For survey analysis, access is needed for professional coding and keypunching of the returned questionnaires. Again, either in-house staff or research consultants can be employed to analyze them. Computer programs such as SPSS (Statistical Package for the Social Sciences) and Surveyor are needed to analyze these questionnaires.

What about personal computers? For many post mailing analyses, a P.C. can be an ideal machine to speed your analysis and provide you with a set of well documented charts of the test mailings' results. The spreadsheet programs are excellent for this, as you can program in financial breakeven equations. In addition, data base generators can be used to build files of buyers so that you can profile them. There are analysis programs available that can be used to perform survey tabulations and some Matchkey® list segmentation analyses for samples of 100 to 20,000. Also, for limited numbers of customers, mailing list, invoice and accounts receivable programs are available. And, within the next few years, many more of these functions, for much larger customer bases, will be provided on a very cost-effective basis. Programs can now reformat IBM disks to CP/M readable files, making the above analysis much more feasible.

3. Dealing with List Brokers

When dealing with outside list brokers, negotiating for reliable, accurate, and up-to-date data is necessary. As mentioned earlier, the data associated with a name is your key to success or failure. If the data is unreliable, inaccurate, or if the test list does not randomly represent the universe, then your segmentation analysis will be useless.

In addition, any ad copy relying on the list to complement the offer will have a disappointing result if the two don't match. An offer to young families, if the list is made up of grandparents and young families, will probably not be effective. To aid your list negotiations, tell your broker that you plan to do a buyer/non-buyer survey on his list (along with the test); this might insure his listing any problems before the mailout. Also, acquiring all the data available from the broker about a broker's name should lead to greater use of a list, not less. If the broker is reluctant to give this to you, explain that you are combining many data sources to develop one data base to test and, therefore, need all available data associated with a name. If the vendor still refuses to give you all available data, it is best to skip that source or just test a small cell since you can't use it for much targeting. Such a list would have to be entirely successful (every name test-mailed is profitable) for you to use it.

When using outside files as well as other in-house files with which you may not be familiar (from other departments, for example), it is *essential* that you get an *accurate record format* of the data *before ordering* the file. Very often, list companies will send unlabeled, poorly documented tapes with the accounting information *that was promised*, missing altogether. Again, a sequence number of Matchkey® code should accompany each outside record for later matching. (Note: you should get an idea, preferably in writing, from your list broker of the post office undeliverability rate, due to people having moved, of the list that you are intending to use. Very often, lists built from public records such as auto drivers' license lists have a high undeliverability rate (10% and above).

Checklist For Ordering Files

Selects necessary
Merge/purge necessary
Nth names (if test) necessary
Computer fill values (if necessary)
Analysis file (if necessary): Specify format for analysis file
Codes necessary: Test grid
Counts/reports needed
Specify or set Matchkey®: Account number, sequence number

– **Checklist for Using Files** The points listed below outline procedures that should be followed when receiving and processing tapes for a mailing:

Run a label print of the tape
Dump every Nth record *to the end of the file*: For every tape received; obtain total record count for control
Copy all tapes (if correct)
Check and verify format (variables and values)
If different than documentation, check with list broker, outside department, client, etc.
Check for value error—for example, new accounts expected, but receive random accounts with all dates open.

4. Research Service Bureaus

As an outgrowth of list processing, list segmentation and list enhancement are being offered by service bureaus. Larger list brokers (Polk, for example) have added analysis and data enhancement services to their list "sales" operations. "Census" data brokers (Claritas, for example) are making their "location" reporting systems available to direct marketers for list enhancement and segmentation.

And now, a new breed of service bureaus that offer list processing, "Census" data list enhancement and segmentation (but not list brokering) are emerging (DMCA Systems, Ltd. of Los Angeles, for example). These new groups, staffed with researchers and programmers, can bring list enhancement and segmentation results to direct marketers that, heretofore, were available only within large companies' research and processing departments. The list processing industry is about to undergo a change to reflect these scientific, proven research techniques in order to provide more profits to their customers.

– **Research Checklist** The following list of elements of a new product test should be carefully considered if they are changed from the original advertising package. This should be done to determine if the change will adversely affect your company and the new product's appeal and success. In addition, *these elements may help to identify why a previously researched product did not perform as projected.*

Why a Researched Product May Not Perform as Tested

a. *Product Changes*
   Any price changes
   Design/packaging changes
   Changes in benefits/features of the product or service that satisfy the consumer's needs, i.e. the amount of insurance offered, the sizes and terms of loans offered, an assortment area of items offered in a catalog, material used in manufacturing, sizes and grades offered, taste, texture, colors, components, etc.
   Any instructions on use/assembly/application changes.
   Changes in compatibility with existing products/services
   Reduction of plans or versions offered
b. *Offer Changes*
   Terms of sale changes
   Application questions or information changes
   Warranty period and/or coverage areas
   Examination period; money back period
   Cancellation policy
   Respond-by-date changes
c. *Advertising Changes*
   Almost any copy changes, i.e. headlines, subheads, teaser copy, cover-letter, brochure, Q & A panels, testimonials, lift letter
   Enrollment, application order form changes
   New, additional legal disclaimers
   Graphic-logos, color, charts, pictures, signatures, type style, etc., changes
   Change in carrier envelopes

d. *Lists/Markets Changes*

Change in what is promotable, criteria used in pulling a list.

New states, cities, regions

Timing of the offer—seasonality effects

Inability to eliminate duplicates, present customers, etc.

Elimination of a target marketing analysis

Errors in selection processing

Different magazines/time slots on TV

e. *Data Collection Changes*

Changes in the method that sales are reported

Abnormalities in rejection of orders

More damaged products reported

Changes from a daily to weekly or monthly sales report

Collection of sales figures from a new department

New computer programming to produce sales reports

Were all damaged/destroyed advertising offers (mailers, inserts) equally spread among all mailed groups or was one group more heavily damaged than others

Undeliverables higher than before

Are there copies of all ads as they are run

f. *Data Processing Changes*

New programs or programmers used to select names

Were all reports prepared of who was selected and mailed—are they correct

Are all computer tapes available and can they be re-run to be validated

Were unlabeled tapes used

Can programming flow charts be examined

g. *Investment Analysis Changes*

Were there changes in return on investment guidelines

Changes in costs of manufacturing, mailing, postage, etc.

h. *Environmental Changes*

A major political change

Changes in tax laws

Changes in federal regulations, guidelines

An announcement by a government branch affecting your product and market—FDA for the food industry

Change in a magazine's or TV program's content

Change in a co-op mailing or insert billing mix

Major weather storms

While this list is by no means comprehensive, it should point out major areas where a researched product can go astray—some by interference or uncontrolled events, others by changes made, (many times needlessly) as the product moves to the marketplace. A carefully researched product should tolerate very few changes or, since changes do happen, it should be the subject of a quick re-survey to assure that the changes are not going to affect the saleability of the product. Too many times, a researched product is changed just before mailing or advertising—only to become a disaster.

Research Control Forms. In order to manage the various research projects that are necessary, the following standard control forms can be utilized.

The times listed summarize many projects over a five year period. Of course, some projects will be completed sooner than those listed, and some will take much longer due to the idiosyncrasies of the project. But, on average, utilizing these schedules will allow all concerned parties enough time to adequately complete their activities.

This chapter is meant to give the direct marketer an outline or guide to follow in performing research and testing. There are many aspects of the mentioned research that are needed by the research person, staff or consultant employed. A first-time direct marketer would do well to secure the services of a direct response research house to start the ball rolling. Then, as time progresses, take on activities and expand and tailor them to the marketer's particular needs.

BUYER/NON-BUYER ACTIVITY

PROJECT NAME: ____________________

	Project Activity	Average Days to Target Date	Expected Completion Date
1.	Establish Objectives — review prior research.	100 to 80	
2.	Establish Sample Selection Criteria.	90 to 75	
3.	Prepare Test Grid.	85 to 60	
4.	Project Proposal and Expense Estimate.	80 to 65	
5.	Issue Audit Request.	75 to 60	
6.	Notify Services of Drop Dates (for postage requisition).	70 to 60	
7.	Prepare Programming Requisition.	70 to 60	
8.	Obtain Mailing Tapes.	75 to 60	
9.	Provide Test File to D. P.	65 to 40	
10.	Prepare Tapes for "LIVE" Mailing and Labels for "SURVEY" thru D. P.	70 to 30	
11.	Procure Legally Approved Mailing Package Copy.	75 to 60	
12.	Print Mailing Package Components.	45 to 25	
13.	Printed Package to Mailing House.	25 to 20	
14.	Write Questionnaire.	60 to 45	
14a.	Approve Questionnaire.	45 to 40	
15.	Typeset Questionnaire.	40 to 30	
16.	Print Questionnaire.	30 to 10	
17.	Order Pens/BRE's/Outer Envelopes.	At 75	
18.	Delivery of Pens/BRE's/Outer Envelopes.	By 20	
19.	Ship Pens/BRE's/Outer Envelopes to Mailing House.	30 to 10	
20.	Provide Mailing House with Stuffing Instructions.	30 to 20	
21.	Have Mailing House Prepare Packages.	25 to 10	
22.	Drop "LIVE" OFFER-NONBUYER/BUYER.	10 to 0	
23.	Make 2 Copies of Each App for "MATCHKEY"®	+1 to +30	
24.	"SALT KITS" Received — Drop Survey.	+1 to +11	
25.	Coding Instructions.	+9 to +16	
26.	Coding and Keypunching Returns.	+12 to +50	
27.	Write Computer Analysis Programs.	+14 to +60	
28.	Computer Runs.	+45 to +65	
29.	Prepare Charts and/or Presentation Materials.	+50 to +70	
30.	Make Presentation (if necessary).	+65 to +75	
31.	Write Report.	+68 to +78	
32.	Type and Revise Report.	+70 to +85	
33.	Xerox and Compile Report; Write Cover Letter.	+83 to +90	

MATCHKEY® ANALYSIS ACTIVITY

PROJECT NAME: ______________________________

	Project Activity	Average Days to Target Date	Expected Completion Date
1.	Establish Objectives.	170 to 150	________
2.	Project Proposal and Expense Estimate.	150 to 140	________
3.	Set Up Test Grid.	140 to 130	________
4.	Receipt of Tape Processing Instructions from H. O.	140 to 130	________
5.	Communicate/Coordinate: Obtain Master Tape (issue audit request) or Set Up Test Groups.	140 to 95	________
6.	Tape Processing Instructions to D. P.	135 to 130	________
7.	Files or Instructions to Field: Produce Mailer and Analysis Files or Test Groups or Keypunch Instructions to Mailing House.	135 to 80	________
8.	Prepare Test Packages at Mailing House.	130 to 70	________
9.	Tapes Ready for Testing and Sorting.	80 to 70	________
10.	Coding and Keypunching Instructions.	80 to 70	________
11.	Mailing Date. (1)	75 to 65	________
12.	Collect Response Data: Code and Keypunch.	75 to 30	________
13.	Match thru D. P. or Outside Vendor.	40 to 20	________
14.	Write Analysis Programs. (2)	25 to 15	________
15.	Computer Runs Due.	20 to 10	________
16.	Prepare Charts and/or Presentation Materials.	15 to 5	________
17.	VISIT research to determine target groups.	5 to 0	________
18.	Write Report.	0 to +15	________
19.	Type Report and Revise.	+10 to +20	________
20.	Xerox and Compile Report, Write Cover Letter.	+20 to +30	________

(1) If MASS Mailing, add 10 days to TARGET DATE.

(2) Assumes prior program — if "brand new," add 20 days to TARGET DATE.

LIST PROCESSING ACTIVITY

PROJECT NAME: ________________________________

	Project Activity	Average Days to Target Date	Expected Completion Date
1.	Establish Objectives.	110 to 90	____________
2.	Project Proposal and Expense Estimate.	90 to 85	____________
3.	Order Tapes from D. P./Vendors/Brokers	90 to 50	____________
4.	Alert your Tape Library of Tapes to be Received.	90 to 75	____________
5.	Tapes Arrive — Logged in and Checked.	70 to 50	____________
6.	Correct Tapes Requested — if necessary.	70 to 50	____________
7.	Correct Set of Tapes or D. P. facility.	65 to 45	____________
8.	Programming Request Written.	60 to 45	____________
9.	Modify Test Design Based on Realities. (e.g., review prior test results, etc.)	55 to 40	____________
10.	Data Processing Programs Written.	50 to 30	____________
11.	Test the Programs.	35 to 25	____________
12.	Modify Program Based on Realities. (e.g., revise random selection, etc.)	30 to 15	____________
13.	Produce Mailing and/or Analysis Tapes.	20 to 5	____________
14.	SORT COPIES AND SHIP TAPES.	15 to 0	____________
15.	Copy analysis tapes for matchkey use.	+1 to +5	____________

(1) Timing is applicable to Mass Mailing. If New Cardholders, only 20 days required.

SIMULATOR ACTIVITY

PROJECT NAME: ____________________

	Project Activity	Average Days to Target Date	Expected Completion Date
1.	Establish Objectives — review prior research.	90 to 70	________
2.	Establish Sample Selection Criteria.	80 to 60	________
3.	Prepare Test Grid.	75 to 60	________
4.	Project Proposal and Expense Estimate.	70 to 50	________
5.	Notify Services of Drop Dates (for postage requisition).	67 to 60	________
6.	Prepare Programming Requisition.	65 to 55	________
7.	Obtain In-house Tapes or Mailing Tapes.	65 to 45	________
8.	Provide Test File to D. P.	55 to 48	________
9.	Prepare Mailing Tapes or Survey Labels thru D. P.	45 to 10	________
10.	Procure Legally Approved Mailing Package Copy.	65 to 45	________
11.	Print Mailing Package Components.	35 to 15	________
12.	Printed Package to Research Mailer.	15 to 10	________
13.	Order Pens/BRE's/Outer Envelopes.	At 65	________
14.	Delivery of Pens/BRE's/Outer Envelopes.	By 15	________
15.	Ship Pens/BRE's/Outer Envelopes to Mailing House.	20 to 5	________
16.	Write Post Card and Questionnaire.	45 to 30	________
17.	Typeset Post Card and Questionnaire.	30 to 20	________
18.	Print Post Cards and Questionnaires.	20 to 5	________
19.	All Components to Mailing House with Stuffing Instructions.	15 to 5	________
20.	Drop Date for Post Card.	At 5	________
21.	DROP DATE FOR QUESTIONNAIRE.	On '0'	________
22.	Coding Instructions.	10 to +5	________
23.	Coding and Keypunching of Returns.	+8 to +30	________
24.	Write and Test Computer Analysis Programs.	+10 to +30	________
25.	Computer Runs.	+30 to +35	________
26.	Prepare Charts and/or Presentation Materials.	+30 to +45	________
27.	Make Presentation.	+45 to +55	________
28.	Write Report.	+50 to +65	________
29.	Type and Revise Report.	+55 to +70	________
30.	Xerox and Compile Report; Write Cover Letter.	+65 to +70	________

FOCUS GROUP ACTIVITY

(Workshops)

PROJECT NAME: ____________________

	Project Activity	Average Days to Target Date	Expected Completion Date
1.	Establish Objectives.	40 to 35	
2.	Establish Sample Selection Criteria.	38 to 34	
3.	Select Moderator — discuss requirements.	35 to 32	
4.	Project Proposal and Expense Estimate.	33 to 31	
5.	Approve Moderator Chosen Facility.	32 to 29	
6.	Arrange for Session Nights.	30 to 28	
7.	Arrange Travel for Observers.	29 to 27	
8.	Obtain Tapes to Draw Sample.	35 to 30	
9.	Prepare Programming Requisition.	34 to 31	
10.	Provide Test File.	32 to 30	
11.	Programming to Select Names and Prepare Labels (Lists).	31 to 21	
12.	Recruitment Agency Fills Groups.	21 to 1	
13.	Insure Groups Are Filled.	3 to 1	
14.	Design Moderator Outline.	35 to 20	
15.	Collect Materials for Groups.	24 to 1	
16.	Discussion with Moderator re: Outline, Sequence of Visuals, etc.	15 to 5	
17.	Conduct Focus Groups.	+1 to +4	
18.	DAILY DE-BRIEFING WITH MODERATOR AND OBSERVERS.	+1 to +5	
19.	Immediate Post-Group Summary.	+1 to +6	
20.	Moderator Listens to Tapes.	+5 to +8	
21.	Write Report.	+7 to +10	
22.	Type Report.	+9 to +11	
23.	Revise Report — Prepare Summary.	+10 to +12	
24.	Xerox and Compile Report; Write Cover Letter.	+12 to +15	
25.	Prepare Presentation Materials and Make Presentation (if necessary).	+14 to +20	

6

Media

by Edward L. Nash
BBDO Direct
Author: Direct Marketing: Strategy/Planning/Execution

Introduction

It is a direct marketing maxim that it is better to send a poorly done mailing to the right list than an excellent one to the wrong list. This maxim can be applied to all advertising media—not only direct mail but newspapers, magazines, broadcast, and specialty media as well.

In the early days of direct marketing, when "Copy was King," the media function sometimes consisted of answering the question "Where should we run the ad?" or "To what list shall we send this mailing package?" Today, media is not an afterthought but is a fundamental part of the basic strategic planning process. It is not a step that is performed before or after the "creative" process. It is part of the creative process.

1. Media as Markets (See Exhibits 6-1, 6-2 and 6-3.)

In direct marketing we do not use media to reach markets; the medium is the market. And there is no such thing as a bad market; there are just some that are more difficult to make work than others. Today's major direct marketers cannot afford to write off any medium.

General advertisers work out the best way to achieve "reach" and "penetration" of specified income and education groups. Direct marketers have historically concentrated on finding ways to make list categories, magazine groups, or broadcast profitable—regardless of which segment of those media categories are reached for the client's products.

In the pure marketing-driven business doctrine, the market is the objective, and products will be modified, or new products developed, to reach the needs of a target medium, just as new offers, copy appeals, and distribution strategies will be developed to sell a given product to a given medium.

More and more, the problem is not "which medium is best," but how can we make this medium work. The media director is an integral part of this problem-solving basis. Experience has shown that more than once, a publication which has been unsuccessful with, for example, a black and white page, will work very well with a "spectacular" unit like a bound-in color insert. Or, the reverse is also true—media such as the *Wall Street Journal*, which had been dismissed as unsuccessful, became a steady profit-producer due to a frequent schedule of smaller size inserts.

2. The "Universe" Concept

It has become customary to refer to "media universes." Since this term will be used, as well as the sub-category of constellations, this concept should be made clear.

> *A media universe is the total list of media opportunities that is considered feasible for a specific product or offer at a given time.*

"Core" lists and "core" magazines usually represent the smallest part of the total media universe. An advertiser might start with these core lists and other "sure thing" promotions, and then test the marginal aspects of the media universe. The testing might indicate that this is too broad or, just as possibly, too conservative. However, the premise of such a universe is a necessary first step in developing the media plan.

More general media categories, which are usually substantial, would merit testing at an early stage because of their enormous potential, while smaller groups can be deferred until the major groups have been tried.

The preparation of a media universe list is, properly, part of the basic strategic process and may entail market research, media research, and the examination of Simmons and proprietary audience data to assemble this list. (See Chapter 4 for Simmons data.)

3. Strategic Considerations

In the course of a chapter on media, there isn't enough space to cover the many strategic considerations detailed in books like Bob Stone's "*Successful Direct Marketing Methods*" (Crain) or this author's "*Direct Marketing: Strategy/Planning/Execution*" (McGraw-Hill).

However, the overall marketing strategy must be kept in mind when developing a media plan, and, conversely, media considerations must contribute to that strategy.

For instance, can the audience be "skimmed"—seeking easy orders from a waiting market segment? Or must it be explained and sold?

Is the advertiser known? Or, is there a credibility concern requiring the implied endorsement of quality publications and larger space units.?

Is it an easy order, which can be obtained with a phone call (making broadcast more feasible)? Or, is it a complicated one, requiring an application form or cash with order, for which direct mail might do better?

Does the product require visualization; must the reader see it? If so, telephone is out of the question and daily newspapers might not provide the graphic quality required.

Is the unit sale and the allowable margin a wide one, making otherwise marginal lists and publications feasible?

Or is it very tight, so only the safest, highest-affinity media are likely to work?

All these considerations, and more, must be taken into account when preparing a media plan.

4. The Core Market Illusion

It is surprising how many otherwise sophisticated organizations make the same basic mistake regarding the development of their media coverage.

Basically, they develop a mailing package or advertisement which does very well in selling to the knowledgeable, waiting market. A photography magazine offered to serious photographers is a typical example. One need only say that it exists, it's for sale, and there's a special introductory offer; the orders will come rolling in.

The problem develops when the same package is offered, in subsequent mailing seasons, to a wider variety of lists (or the same ad, in more general magazines). The effort is often unsuccessful and the result is reported, simply, as "The list (or publication) didn't work."

Sometimes the sales effort is curtailed, and a lower sales or circulation level is accepted. Sometimes fault must be found, and a change of ad managers or ad agencies takes place—but the real problem is strategic in nature.

Less knowledgeable audiences require more informative advertising messages. Special market segments often require specific appeals to their special interests. Changes in the age, or education level, or other media characteristics often demand a change in the basic advertising message.

These changes sometimes involve only the choice of copy platform—the selection of attributes and benefits to be emphasized and dramatized. More often, it may involve the basic product positioning, the choice of visual illustration with which the prospect is expected to identify, or the offer itself. Sometimes, the format has to be modified—to translate an inexpensive skimming format in core markets to a costly all-out one for situations where you must sell the category as well as the brand; or, on the other hand, translating a full-page ad in core magazines to a small-space skimming effort for more general media. Which strategy is right for a given product can be determined in advance, based on experience, research, or both.

5. Testing Theory

Often, with either established or new products, the media specialist is asked to recommend a "test" of one or more new media. To do so, a testing philosophy should be identified and enunciated for the client or product line.

The key element of every "test" is the following: *Minimize Downside Risk*. The first question to ask is "What if it doesn't work?" The test should be set up to put as little of the total advertising budget as possible "at risk."

If a new list or publication is a logical extension of previously proven media insertions, obviously greater risk can be taken. A standard insertion or a larger portion of the list can be used.

However, if you're breaking new ground, and entering into previously untested new lists or publications, you wouldn't want to commit so much. In that case, there are several ways of running partial insertions or using smaller than usual list buys to get valid results. These methods will be discussed under the media sections to follow.

Direct Mail

1. Size and Scope

The growth of direct mail as a medium continues to outpace virtually every other media. The only possible exception would be broadcast advertising, and that *not* because of the growth of broadcast (which, overall, is shrinking due to diversion of audiences to cable shows and generally unimaginative programming), but because of the direct-marketing field's growing use of the medium.

It is entirely possible that this growth rate will not only continue but accelerate for several reasons. These include the growing recognition of the importance of the direct-mail medium by general advertisers such as General Electric, Chrysler, Citicorp, and other major corporations. Another factor is the increasing sophistication of the list brokerage and computer processing industries. Mailings, that only a few years ago would have been unsuccessful, have now gone to extension and roll-out because of the development of selection, suppression, and segmentation techniques that dramatically increase results.

2. Segmentation Methods

In the United States there has been no scarcity of mailing lists. Unlike other countries, where the practice of renting and exchanging the names of active and former customers is not yet established, there is a plentiful supply of fresh, responsive names in virtually every category.

The problem continues to be that there are often too many names. Too many lists to choose from. Too large a quantity in a particular list to trust statistically valid test samples. Too much of a "waste factor" within a given list to make its use cost effective.

The need has been to increase profits by mailing to fewer, more selective names. The progress, then, has been in segmentation, and each year has seen enormous progress in refining the science and art of list buying into a tool that is as precise as it is powerful. Today, people buying lists can customize them into virtually any configuration to meet their own needs.

Geographic sorts now include the ability to specify ZIP codes or even carrier routes which offer previously identified characteristics of those geographic areas. These include average income, education, home ownership, or characteristics such as the age of children and recency of a major purchase such as a car or refrigerator. Several companies have used existing or new research to assign lifestyle characteristics to ZIP codes based on census data or on their own research.

Selection characteristics include Male/Female/Unknown; Active Customers; Repeat Customers; Recent Expires; Older Expires; Hotlines (recent new customers); and any geographic specification including state, city, and selected ZIP codes.

Probably the best use of such geographic sorts is to draw on a company's own experience—response rates, credit and collection data—indicating the potential profitability of various ZIP codes. It is then a simple matter to either select profitable areas or suppress unprofitable ones.

Overlays are the combination of two or more mailing lists with individual data (as opposed to geographic data dealing with averages) to refine a list.

For instance, you can take a customer's house list and match it with car ownership lists for a product that requires owning a car. Or, a list of mail-order buyers can be matched against a compiled list of homes with children to get mail-order buyers with children.

The restriction on such matching is purely financial, since it is sometimes more economical to tolerate a larger "waste factor" than go to the expense of a complex overlay match. Larger mailings will, of course, benefit to a greater extent than smaller ones—not just because of size but because of the likelihood of matching names as the list size increases.

3. The List Broker's Role

One significant evolution within the direct-mail business is the growing importance of the list broker as part of the planning and strategic process.

Thinking of list brokers as "suppliers" whose role is restricted to supplying lists selected by the advertiser is a waste of a valuable asset. Today's list brokers have evolved into important members of the planning team. Like advertising agencies, they have valuable proprietary data on what has and has not worked for others. While they cannot reveal their sources, their recommendations are based on a wealth of information.

Some list companies represent only one list, usually compiled, and are in the position of "selling" it—sometimes with printing and creative services thrown in to round out the package. Most brokers, though, are independent companies who may manage some lists, but who represent virtually every list, including those of the one-list compilation firms.

A good list broker will offer advice on selection characteristics within lists as well as all of the various segmentation methods. Most of them work with one or more of the computer firms who specialize in list processing and can help the novice advertiser through the entire process.

Today, a list broker should be considered as part of the planning team, either directly or through an advertising agency. They should be respected as professionals, not as sales people, who can make a big difference in making the list portion of your direct mail effective.

Another reason why list brokers are important, and why an advertiser should try not to by-pass their input by using reference books, is the growing number of mailing lists coming into the market each year. Almost every list recommendation includes some fresh, productive lists which list brokers know about but which have not yet been listed in current reference books.

4. Structuring a Test

When testing the direct mail media, the prime consideration is to minimize downside risk. If direct mail is being used for the first time, then the list selection should be designed to cover a cross-section of different types of lists.

Core lists, that is, those where the affinity is very clear and obvious, the unit sale is comparable, and the list quality (in terms of accuracy and recency) is unquestioned, should be tested on an individual basis. That is, each substantial list should be included with at least a minimum sample—enough to meet statistical validity objectives.

Expansion, or marginal affinity, lists should also be tested—sometimes with a different mailing package which is more informative, more educational, or which sells the generic product rather than the specific brand—depending on needs and objectives. The point is that low affinity lists often need more "sell" than lists of people already familiar with the category.

Since the number of potential expansion lists is greater than the core lists, it would be too costly to test every possible list. Therefore, the usual method is to group the expansion lists into categories which, by logic or experience, would tend to perform similarly.

If core lists are, for example, buyers of photographic products (for another photographic product), expansion categories might include photography magazine subscribers, photography school inquirers, and photography continuity book starters. While there may be several lists within each category, they should perform more similarly to each other than to the next category. Therefore, it is usually sufficient to test just one list in each of the expansion categories.

In a new product launch, the ratio of core lists to expansion lists might be about even. Once a product is proven, and the campaign is being extended or rolled out, the percentage of the mailing which is "at risk" should be restricted, and the bulk of the advertising investment put behind proven lists.

Publication Media

Newspaper and magazine advertising is harder to make work than direct mail—but the potential is much greater. Whereas direct mail is limited by the lists being created by other advertisers, publication advertising (sometimes called print advertising) is almost unlimited. It enables the advertiser to expose its product to the public at large and assemble its own list of prospects and customers—a list which often is not overexposed to similar direct mail offers; which is fresh; which is unique; and which can be rented to others for added income.

Many catalog firms, for example, get their easy results from sending their catalogs cold to lists of other companies' actives or expires. In the long run, however, their growth and the most profitable customers may come from customers whom they have attracted themselves in publication advertising—either by offering their catalog free or at a nominal cost or, more often, by selling some merchandise "off the page" in their advertising.

Print medium has an added effect, in that, unlike direct mail, the medium itself adds to (or in some cases detracts from) the message. An advertisement in a well-known national magazine is presumed by the consumer to have some sort of implicit endorsement from that publication.

To the extent that an advertiser has no prior reputation or relationship with a prospect, that of the magazine or newspaper may help provide some needed credibility.

However, to make publication advertising work, very different strategies must often be employed. It is not enough to simply translate a successful direct mail package to print. The product positioning, the offer, and the audience targeting method must all be thought through individually before planning newspaper and magazine advertising. The failure to do this is the greatest reason why so many advertisers, who rely on in-house or freelance creative sources, have been unable to make publication advertising work; it's a very different medium and requires a very different message.

1. Newspapers

There are 1,711 newspapers in the United States, with a combined circulation of 62.4 million on weekdays and 56.3 million for Sunday or weekend editions. By definition, newspapers provide good coverage of a geographic market area but usually provide little or no other selection characteristics.

Demographically, one can select by the entire market area or, in two-newspaper cities, between the varying readerships of the individual newspapers since their editorial policies may attract or repel different groups of readers.

Greater selectivity is available within the newspaper itself. A primitive sort of sex-select can be obtained by selecting sections of the paper. If one presumes that women do most of the shopping, they can be reached more effectively in shopping pages. If we presume that it is mostly men who are interested in the sports pages, then our ads in those pages reach a higher number of men.

Some special interest selections are available. A book on handicapping was successful only when run in the appropriate pages when the track was running in nearby cities. Financial products or services are more successful on financial pages. Yet, there are exceptions even to these rules.

Weekend editions, and Sunday supplements particularly, reach more of a family audience, while weekday papers seem to reach men and women commuting to work—at least as far as result figures indicate.

2. Magazines

SRDS lists 1,425 consumer magazines in the United States. The top 100 have a combined circulation of over 250 million. For the most part, magazine advertising lacks the specific market selectivity offered by newspapers—but makes up for it with a much higher degree of affinity selection.

There are ways of buying regional editions or even editions for specific cities, but these are generally at a premium which is sufficient to make this medium less desirable when geographic selection is the objective.

The categories of magazines cover the entire range of consumer interests and provide a logical opportunity for specialty products to offer their wares to audiences whose interests are identified. Hobby enthusiasts will buy, for example, the Peterson publication that is relevant to their interest. People will reveal their intellectual lifestyle or economic identities simply by the choice of the magazines they subscribe to and buy on newsstands. For that reason, magazines—to the extent that costs are realistic—offer the selectivity that is, usually, an essential ingredient for a successful direct marketing program.

As interests and lifestyles change, so do magazines—by the addition of new ones or by the growth of old ones. *Country Journal* reaches the active, affluent country family; *Essence* the upwardly mobile, educated black woman; *Popular Science* the relatively successful male who combines an interest in science with the will to apply it at home or the office.

Money reveals one kind of interest. *Popular Computing* another. And women can be reached in every kind of magazine from *Bon Appetit* and *Mademoiselle* through *Working Woman*. Each magazine offers its own unique audience, enabling us not just to select the right ones for relevance but also to target our messages to their interests and lifestyle.

As with mailing lists, the obvious "core" magazine is not the only place to look. Very often, affinities exist (identifiable before testing through modern analytical and audience research methods) which can make apparently unrelated magazines very successful for our propositions.

During 1983, there were many changes in the magazine world. As of this writing, magazines such as *Fortune* and *Signature* have joined the top 100, and others such as *Playboy* and the *National Enquirer* have dropped dramatically in circulation. These changes are important not only as media availabilities but as indicators of the changing lifestyle of the world we live in and the markets we sell to.

3. Business Publications

The business media is a world of its own. Because of rates, most of them are not cost effective for consumer propositions, but can be very appropriate for business lead-generation or the selling of financial services or personal products (insurance, for instance) to business executives.

The Wall Street Journal, for instance, is a whole media category in its own right, offering timeliness, flexibility, and a responsive audience for both business and financial products and services. As of mid-1983, its circulation exceeded 2.3 million and could be bought in four separate regional sections.

Other general business publications are *Business Week*, *Nation's Business*, and *Forbes*—each of them with their own identities and specific audience characteristics. Business executives can also be reached with special editions of national consumer magazines, such as *Time's* "B" edition or *Newsweek's* Executive edition.

Besides these general publications, there are two additional ways of looking at business magazines. There are vertical publications, such as *Ad Age* and *ABA Banking Journal* which reach all levels of management in a given industry. Horizontal publications reach a specific job function or management level running across all types of businesses. *Mechanical Engineering* or *Today's Office* are typical of horizontal magazines.

Buying magazine space involves more than just which magazine in which to advertise. There are several options within each decision. These include:

- **Season.** Which month is the best? Or, for a daily or weekly, are some days or weeks better-read than others?
- **Region.** If regional editions are available, are some better than others? For testing purposes, are they all consistent?
- **Size of unit.** Small space or large space? If small space, which shape? (Some magazines give better spots to a one-column than to a "square third" even though both cost the same.)
- **Color.** Black and white? Two color? Bleed?
- **Special devices.** Bound in reply card? Full-page inserts? Multi-page inserts?
- **Premium positions.** Should you pay for a "facing third cover" or other premium positions? If a back cover is available, is it worth the extra cost?

These are all questions that have to be considered when buying magazine space.

If you are using magazine space, you will often get calls from space representatives offering special editions, which are often put together expressly for the purpose of selling space to a specific category of advertisers. For instance, *Advertising Age* has a direct marketing supplement once a year, which usually features articles on the direct-marketing field surrounded by as many advertisements as they can sell. In general, such special editions do not produce as many inquiries for a given direct marketer as an advertisement which stands alone without as much competition in another edition. To reach direct marketers, publications such as *Direct Marketing*, *DM News*, and *Zip*, which service our field on a year-round basis, are a much better investment.

Another promotion is "Bingo cards"—inquiry cards offering free literature, sometimes included in magazines as an incentive to advertisers. The experience of many direct marketers has been that such cards produce very poor inquiries, and that good leads are thus thrown out with the bad ones. Where you have a choice, you are better off soliciting your inquiries with your own coupon or card.

4. The Agency's Role

Most print advertising is bought through advertising agencies which have their own media departments. While it is possible to save the commission by setting up "house agencies," the agency media-planning process generally adds more than 15 percent in added value, even without considering the creative and planning services offered by agencies.

A professional media director, like a professional list broker, has access to experience and results which can save an advertiser the expense of "reinventing the wheel." In addition, many testing opportunities and split or regional testing opportunities can often be negotiated by media directors because of their prior experience, personal media contacts, or massive buying power. This media background often can stretch budgets of as little as $100,000 to test a dozen media categories, size units, color vs. black and white, size of unit, and a wide variety of offer and product testing. To do this, many special "deals" have to be arranged which are not on the rate card.

Properly, an agency should not just "buy media" but should consider a media plan as part of an overall strategy which covers all the bases and minimizes downside risk.

5. Testing Methods

It is not a test to insert an advertisement in a dozen newspapers or in the full circulation of a half dozen magazines. You can call this an initial campaign—tested or untested—but the word "testing" implies some type of caution.

A single black and white advertisement run in the top ten consumer magazines would cost an advertiser $763,726, not counting production costs. The money at risk is substantial, and the object of testing is to find ways of minimizing risk.

As with direct mail, a different approach should be taken with obvious core magazines than with marginal, extension publications. The core magazines are those in which all tests of offers, creative approach, unit size, and format should be conducted, since the probability of success of the medium overall is very high.

Extension magazines should consume as little of the available budget as possible—but enough to "cover all the bases" and learn as much as possible about where future expansion can most profitably be undertaken.

The extension magazine should be grouped in categories, sometimes called "constellations." Within each group of publications, one magazine or newspaper should be selected which is not only typical of the category but which cooperates in terms of helping to minimize a test investment. This changes from year to year. In the past, *Time* was a leading test medium because of the ability to combine split runs with regional editions. In 1983, they discontinued this availability, and much testing is now done in *Newsweek* and other magazines instead.

The object is to locate splits or regional editions which give you as much information as possible about the magazine or category at the least possible price, to free up budget for proven magazines or additional tests. This cannot be done by looking through a directory, but requires on-going relationships and intensive negotiations with each publication that is considered.

Broadcast

Probably no single medium has caused as much excitement in 1983 and recent years as broadcast—radio and television advertising. This medium, which began as the exclusive preserve of sellers of hard-sell pots n' pans or record sets, has finally come into its own.

The early pioneers of direct response broadcast basically took long-copy ads and delivered them with stand-up announcers instead of with the printed word. Illustrations consisted of product shots or singers behind barrages of printed phrases, all liberally laced with exclamation points.

What creativity did exist was almost exclusively in the category of product dramatization—the knife that sliced bricks and tomatoes, the couple swooning over a golden oldie tune. The proponents of the old school propagated their maxims: Only :120s work. Only dull programming works. It had to be less interesting than the commercial.

Our industry, thus, dominated the insomniac hours of television watching and bought time wholesale on stations which lived off re-runs and old movies. This policy led to another maxim—television produces poor quality customers, and it only works with low-priced mass market merchandise.

The news is that, while these maxims apply to the old school, which still sells effectively for old-school products, it is not the only way, and, for many, it is not the best way.

1. Direct Response Advertising

For magazine subscription clients, direct-response advertising is bringing in subscribers at a net cost less than the mostly costly one-half or one-third of direct-mail costs. In other words, the "average" direct mail CPO is, often, the realized television CPO, enabling advertisers to replace less efficient direct mail with television. For some advertisers, such as those seeking inquiries for telecommunications products, it is sometimes the only effective mass medium.

Direct response commercials are now as likely to be 60 seconds in length as they are to be :120. Successful 60-second commercials require the direct-response creative team to talk to the audience on more than one level. Where an upscale audience is involved, it is sometimes the only effective way to deliver the message. The message controls the length, not a set of old-school media-buying rules.

- The direct-response broadcast figure in 1981 was $295,000,000 in spot television. This represents about seven percent of total 1981 spot expenditures.

The proviso is that the spot, of any length, on better time periods—up against better programs and professional "big agency" commercials—still has to be "more interesting than the programming." That much of the old school maxim is right—except that the solution is not to seek out dull programming but to produce more interesting commercials.

To do this, many direct marketers are utilizing techniques that used to be the exclusive tool of general advertisers: musical themes, psychological imagery, emotional moments. Making :60s work may be a big breakthrough, but it demands a much higher standard of creativity and production values.

2. Support Advertising

Support advertising—commercials that ask the viewer to "look in your mailbox" or ". . . your Sunday paper" for a message—has not materially expanded in its use as a direct-marketing tool. The high cost of the media being supported—newspaper preprints, for instance,—has eliminated the need for the medium to support them. Large mailers, however,—most notably Publishers Clearing House, *Reader's Digest*, and American Family publications—continue to use commercials for support of major direct mailings. *Reader's Digest* appears to be somewhat less active with this tool, possibly because of the development of direct-mail support of direct mail—postcards giving advance notice of a forthcoming mailing.

3. Buying Methods

The development of the :60 format has now made it possible for direct response advertisers to be more selective as to which stations, day-parts, and agencies they buy. Some agency broadcast departments have developed sophisticated computer methods to compare audience data and response information so that they can predict exactly how much an advertiser can afford to pay for a spot, in a specific day-part or program on a specific station. The era of "haggling" is over. Direct-response broadcast buying is now a science.

The key is the discovery that, for most products, there is a given audience target which can be used as an index to the responsiveness of the time buy. Whether or not the data corresponds with established customer profiles, it is still a key to predict response rates and cost per order.

Today, direct-response broadcast accounts for a large percentage of total commercial air time. As noted above, in 1981, it was estimated at $295 million. Some agencies have built their businesses with as much as one-third or even one-half of their column in direct-response television. Other agencies have specialized in radio and scored impressive results in that field. Broadcast is probably the fastest growing direct-marketing medium today.

The Whole Picture

While this chapter has looked at each media category separately, it is important to combine all of this information when preparing a media plan.

The developments in publication advertising and broadcast make it shortsighted to use only direct mail for a new product test. While direct mail is convenient for new product testing because of its low visibility and the ability to test offers with relative secrecy, it is not, in itself, an indicator of the viability of a product.

Organizations like Franklin Mint and the Columbia Record Club achieved their greatest growth through publication media. The recipe card producers found that direct mail and broadcast were the most successful. And many magazines and fund-raisers, whose inventory of successful mailing lists is shrinking, have found broadcast to be the big breakthrough opportunity.

Our industry can no longer consider direct mail as the automatic medium for every proposition. It will always be important, but, like direct marketing itself, it does not exist in a vacuum. The consumers we must influence are reached by all media, and we must choose and select the media group, and the individual media within each group, that is right for each advertiser.

Exhibit 6-1
ESTIMATED 1983-1984 AD VOLUME

	1983 ($ millions)	1984 ($ millions)	Percent Change
Newspapers (national adv.)	2,734	3,005	10.0
Magazines	4,233	4,910	16.0
Network TV	7,017	8,420	20.0
Spot TV	4,796	5,360	11.8
Direct Mail	11,795	13,445	14.0
Other National Media	9,996	13,770	37.8
Total Nat'l Adv.	42,525	48,910	15.0
Newspapers (local Adv.)	17,848	20,830	16.7
Local TV	4,323	5,000	15.7
Other Local Media	11,154	12,680	13.7
Total Local Advertising	33,325	38,510	15.5
Total All Advertising	75,850	87,420	15.2

Source: Robert J. Coen. McCann-Erickson, Inc., 1984

Exhibit 6-2
Media unit* cost trends
(1967 = 100)

	1981	1982	1983	1984	1985**
Newspapers	279	308	336	366	395
Magazines	201	219	237	256	274
Network TV	329	365	394	441	476
Spot TV	286	317	342	376	399
Network radio	244	268	300	327	353
Spot radio	215	232	248	268	284
Outdoor	303	330	363	392	416
Direct Mail	263	286	290	299	319
Composite	270	297	318	344	369

Source: McCann-Erickson, 1984

*A unit in the various media listed include a single black-and-white page for newspapers, a four-color ad for magazines, 30-second spots for network and spot TV, one-minute spots for network and spot radio, a 100 showing in outdoor (100 GRPs, which is the reach and frequency of x-amount of boards per day), and 25,000 pieces of direct mail.

**Estimated

Exhibit 6-3
ESTIMATED ANNUAL U.S. ADVERTISING EXPENDITURES 1977-1984
(in millions of dollars)

	1977	1978	1979	1980	1981	1982	1983	1984
Newspapers								
Total	10,751	12,214	13,863	14,794	16,528	17,694	20,582	23,835
National	1,472	1,541	1,770	1,963	2,259	2,452	2,734	3,005
Local	9,279	10,673	12,093	12,831	14,269	15,242	17,848	20,830
Magazines								
Total	2,162	2,597	2,932	3,149	3,533	3,710	4,233	4,910
Weeklies	903	1,158	1,327	1,418	1,598	1,659	1,917	2,220
Women's	565	672	730	782	853	904	1,056	1,210
Monthlies	694	767	875	949	1,082	1,147	1,260	1,480
Farm Publications	90	104	120	130	146	148	163	175
Television								
Total	7,612	8,955	10,154	11,366	12,650	14,329	16,786	19,620
Network	3,460	3,975	4,599	5,130	5,575	6,210	7,017	8,420
Spot	2,204	2,607	2,873	3,269	3,730	4,360	4,796	5,360
Local	1,948	2,373	2,682	2,967	3,345	3,759	4,323	5,000
Radio								
Total	2,634	3,052	3,310	3,702	4,230	4,670	5,210	5,770
Network	137	147	161	183	230	255	296	320
Spot	546	620	665	779	879	923	1,038	1,185
Local	1,951	2,285	2,484	2,740	3,121	3,492	3,876	4,265
Direct Mail	5,164	5,987	6,653	7,596	8,944	10,319	11,795	13,445
Business Publications	1,221	1,400	1,575	1,674	1,841	1,876	1,990	2,270
Outdoor								
Total	418	466	540	578	650	721	805	*
National	290	307	355	364	419	465	520	*
Local	128	159	185	214	231	256	285	*
Miscellaneous								
Total	7,388	8,555	9,633	10,561	11,908	13,113	15,091	17,395
National	3,849	4,435	4,992	5,578	6,334	7,067	7,843	9,020
Local	3,539	4,120	4,641	4,983	5,574	6,046	7,248	8,375
Total								
National	20,595	23,720	26,695	29,815	33,890	37,785	42,525	48,910
Local	16,845	19,610	22,085	23,735	26,540	28,795	33,325	38,510
GRAND TOTAL	37,440	43,330	48,780	53,550	60,430	66,580	75,850	87,420

*Figures unavailable. Are now included within "Miscellaneous."
Source: Robert J. Coen, McCann-Erickson, Inc. 1984.

Exhibit 6-4
VOLUME OF THIRD CLASS MAIL
(Postal Fiscal Year: Oct. 1-Sept. 30)

Mail Classification	1983 # Pieces	1982-1983 % Change	1984 # Pieces	1983-1984 % Change
Single Piece	167,990,000	−17.4	178,316,000	+ 6.1
Nonprofit	9,381,076,000	+ 3.5	10,371,568,000	+ 10.6
Regular Bulk	31,185,653,000	+ 13.6	37,698,830,000	+ 20.9
Total	40,734,719,000	+ 10.9%	48,248,714,000	+ 18.5

Source: Direct Marketing Association, "USPS Revenue and Cost Analysis Report", 1984.

Exhibit 6-5

1984 DIRECT MAIL EXPENDITURES
Calendar Year

Class	# of Pieces[1] (000)	D.M. %	D.M. Volume Pieces (000)	Average Postal Rate[1]	Paper Production & Printing[2]	Total Cost	D.M. Volume in Dollars (000)
First Class	69,116,347	7.5%[2]	5,183,726	22.24¢	19.72¢[4]	41.96¢	$2,175,091
3rd Class — Catalog							
Single	177,429	21%[3]	37,260	86.81¢	42.11¢	128.92¢	$48,036
Bulk-Regular	9,720,524	21%[3]	2,041,310	12.01¢	42.11¢	54.12¢	$1,104,757
Bulk-Carrier Presort	22,366,861	21%[3]	4,697,041	8.04¢	42.11¢	50.15¢	$2,355,566
Bulk-Five Digit Presort	7,056,960	21%[3]	1,481,962	9.96¢	42.11¢	52.07¢	$771,657
3rd Class — All Other Direct Mail							
Single	177,429	74%[2]	131,297	86.81¢	23.31¢[4]	110.12¢	$144,585
Bulk-Regular	9,720,524	74%[2]	7,193,188	12.01¢	23.31¢[4]	35.32¢	$2,540,634
Bulk-Carrier Presort	22,366,861	74%[2]	16,551,477	8.04¢	23.31¢[4]	31.35¢	$5,188,888
Bulk-Five Digit Presort	7,056,960	74%[2]	5,222,150	9.96¢	23.31¢[4]	33.27¢	$1,737,409
4th Class — Catalog							
Bound Printed Matter	230,890	85%[3]	196,257	53.26¢	42.11¢	95.37¢	$187,170
Non-Profit							
Regular	6,442,427	95%[2]	6,120,306	5.32¢	21.81¢[4]	27.13¢	$1,660,439
Carrier Presort	1,611,388	95%[2]	1,530,819	3.38¢	21.81¢[4]	25.19¢	$385,613
5-Digit Presort	2,569,313	95%[2]	2,440,847	4.42¢	21.81¢[4]	26.23¢	$640,234
International							
Regular	221,210	2%[2]	4,424	33.71¢	19.70¢[4]	53.41¢	$2,363
Airmail	469,695	2%[2]	9,394	69.40¢	19.70¢[4]	89.10¢	$8,370
TOTAL	159,304,818		52,841,458				$18,950,813
			17.87%[5] Growth in D.M. Volume Pieces 1983-1984				

1. Source: USPS, 1984 (4th quarter calendar year USPS estimates)
2. Source: Direct Marketing Association Research Department, 1984
3. Source: USPS estimates
4. Cost of a Direct Mail Piece Survey revised; components vary from previous years. See p. 168.
5. To compute volume rate, 1983 direct mail pieces were re-calculated using 1984 methodology.

Exhibit 6-6

NUMBER OF PIECES OF MAIL ATTRIBUTED TO DIRECT MAIL 1977-1984 (*Postal Fiscal Year*—Oct. 1 - Sept. 30) Based on DMA's Postal Volume Formula and U.S. Postal Service Revenue and Cost Analysis Reports (in thousands)

	First Class D.Mail = 20%	Priority Mail D.Mail = 5%	Mailgrams D.Mail = 15%	Third Class Single D.Mail = 95%	Third Class Bulk D.Mail = 95%	Third Class Non-Profit D.Mail = 95%	Catalog D.Mail = 100%	Int'l Mail D.Mail = 5%	Total # Pieces	Total # D.Mail Volume Pieces
1977	53,827,034	199,487	28,562	612,518	17,138,794	6,825,799	84,998	684,899	79,402,091	34,247,163
	10,765,407	9,974	4,284	581,892	16,281,854	6,484,509	84,998	34,245		

	First Class D.Mail = 10%	Priority Mail D.Mail = 5%	Mailgrams D.Mail = 95%	Third Class Single D.Mail = 95%	Third Class Bulk D.Mail = 95%	Third Class Non-Profit D.Mail = 95%	Catalog D.Mail = 100%	Int'l Mail D.Mail = 5%	Total # Pieces	Total # D.Mail Volume Pieces
1978	54,557,218	213,329	32,504	539,724	18,684,430	7,020,146	85,431	718,935	81,851,717	30,524,728
	5,455,722	10,666	4,876	512,738	17,750,209	6,669,139	85,431	35,947		

	First Class D.Mail = 10%	Priority Mail D.Mail = 5%	Mailgrams D.Mail = 15%	Third Class Single D.Mail = 95%	Third Class Bulk-Regular D.Mail = 95%	Third Class Bulk-Carrier Presort D.Mail = 95%	Third Class Non-Profit D.Mail = 95%	Catalog* D.Mail = 100%	Int'l Mail D.Mail = 5%	Total # Pieces	Total # D.Mail Volume Pieces
1979	58,215,317	231,835	37,989	444,871	15,509,303	4,492,980	7,552,602	104,087	755,674	87,344,658	32,580,461
	5,831,532	11,592	5,698	422,627	14,733,838	4,268,331	7,174,972	104,087	37,784		
1980	58,993,087	252,864	39,452	410,959	14,583,864	6,999,788	8,068,948	116,434	733,832	90,199,228	34,514,743
	5,899,309	12,643	5,918	390,411	13,854,671	6,649,799	7,665,500		36,692		

	First Class D.Mail = 10%	Third Class Single D.Mail = 95%	Third Class Bulk-Regular D.Mail = 95%	Third Class Bulk-Carrier Presort D.Mail = 95%	Third Class 5-Digit Presort D.Mail = 95%	Third Class Non-Profit D.Mail = 95%	Fourth Class Bound Printed Matter D.Mail = 85%	Int'l Mail D.Mail = 5%	Total # Pieces	Total # D.Mail Volume Pieces
1981	61,410,172	335,168	11,636,430	10,541,579	2,527,621	8,566,607	118,675	885,509	96,021,761	38,207,266
	6,141,017	318,410	11,054,608	10,014,500	2,401,239	8,138,277	94,940	44,275		

	First Class D.Mail = 7.5%	Third Class Single D.Mail = 95%	Third Class Bulk-Regular D.Mail = 95%	Third Class Bulk-Carrier Presort D.Mail = 95%	Third Class 5-Digit Presort D.Mail = 95%	Third Class Non-Profit D.Mail = 95%	Fourth Class Bound Printed Matter D.Mail = 85%	Int'l Mail D.Mail = 2%	Total # Pieces	Total # D.Mail Volume Pieces
1982	62,200,212	203,350	8,791,167	13,742,551	4,918,628	9,063,627	156,154	927,541	100,003,230	39,691,848
	4,665,016	198,183	8,351,609	13,055,423	4,672,697	8,610,446	124,923	18,551		
1983	64,246,880	167,990	8,812,930	16,698,070	5,674,653	9,381,076	168,128	904,821	106,054,548	43,677,504
	4,818,516	159,591	8,372,284	15,863,167	5,390,920	8,912,022	142,908	18,096		
1984	68,428,570	178,316	9,559,199	21,391,900	6,747,731	10,371,568	194,760	894,840	117,766,884	51,151,864
	5,132,143	169,400	9,081,239	20,322,305	6,410,344	9,852,990	165,546	17,897		

Note: Priority Mail and Mailgram figures are not reported in the most current years because the volume of dm pieces is not a substantial portion.

*In 1981 the USPS discontinued reporting the catalog figure as a separate category. Since then this figure has been included in the third class mail figures.

Exhibit 6-7
DIRECT MAIL ADVERTISING EXPENDITURES

These figures include only postage and production cost estimates. They do *not* cover estimated costs of direct mail creative services.

1937	$ 277,851,087	1953	$1,256,393,834	1969	$ 2,725,618,000
1938	$ 269,869,569	1954	$1,374,882,915	1970	$ 2,827,026,000
1939	$ 277,292,494	1955	$1,485,261,000	1971	$ 3,432,191,000
1940	$ 278,221,589	1956	$1,554,068,971	1972	$ 3,406,483,000
1941	$ 293,981,595	1957	$1,615,826,302	1973	$ 3,990,063,000
1942	$ 274,369,636	1958	$1,777,039,094	1974	$ 4,749,689,000
1943	$ 268,036,086	1959	$1,930,588,964	1975	$ 5,063,525,000
1944	$ 271,991,230	1960	$2,027,016,075	1976	$ 6,025,639,000
1945	$ 241,960,283	1961	$2,111,523,778	1977	$ 6,966,680,000
1946	$ 278,797,152	1962	$2,029,308,000	1978	$ 7,298,184,000
1947	$ 482,737,477	1963	$2,215,172,000	1979	$ 8,876,683,000
1948	$ 574,527,477	1964	$2,354,015,000	1980	$ 9,998,706,000
1949	$ 863,989,380	1965	$2,408,275,000	1981	$10,566,746,000
1950	$ 918,660,480	1966	$2,551,148,000	1982	$11,359,494,000
1951	$1,056,296,826	1967	$2,581,634,000	1983	$12,692,240,000
1952	$1,171,088,984	1968	$2,796,013,000	1984 +	$18,950,813,000

+ Figures not comparable with those of previous years because of revised methodology. See p. 130.

Source: Direct Marketing Association Research Department, 1984.

7

Telephone: The Growing Medium

by Murray Roman
Campaign Communications Institute

Introduction

Telemarketing is big business. Just five years ago, there wasn't any recognizable telemarketing industry. Today, there are more than 350 competing telemarketing agencies. According to figures from DMA and AT&T, almost $13 billion was spent for telemarketing in 1982—in contrast to the $12.5 billion figure for direct mail.

The following statistics were compiled by Michael J. Sheehan, Telepromotion Sales Manager, AT&T Communications, for the Telephone Marketing Council of DMA to be used in the 1984 and 1985 editions of the FACT BOOK. These statistics will lay good groundwork for the discussion to follow. Certain of the statistics will no longer be available due to the post-divestiture environment. These particular figures are annotated. Also included is AT&T's statement on "Call Quality Observation."

Exhibit 7-1
MISCELLANEOUS TELEPHONE FIGURES—CONSUMER
as of Year-End 1982

Total U.S. Households	84,039,000
Total Main Phone Numbers[1]	79,153,760
Estimated Phone-Reachable Persons at a Given Time (Assumes 13.9% of main phone numbers are not listed. Same as 1981. Updated figures are not available.)[1]	68,151,387
Total Phones (including extensions)[1]	133,580,000
Estimated Total Annual Calls Made [1,2]	142,481,820,000
Average Number of Annual Calls Made per Main Phone	1,800
Average Number of Daily Calls Made per Main Phone	4.93

[1] This information will no longer be available in the post-divestiture environment.

[2] Assumes of the total messages (completed calls), 52.45% were residential-originated, and 47.55% were business-originated. This figure is less than the 1980-1981 statistics because only completed calls are considered.

Source: AT&T, 1983

"Call Quality Observation"

"Call Quality Observation" consists of both manual and electronic viewing of and/or listening to transactions between Telemarketing Specialists and customers.

Implementation of Call Quality Observation should be done in accordance with all local, state and federal regulations or policies concerning privacy. Where no regulations or policies rule otherwise, Call Quality Observation can be utilized to support Telemarketing Specialist training and development, conduct market research and enhance supervisory control by ensuring that all customer concerns are responded to in a professional manner.

Source: AT&T, 1983

Exhibit 7-2
MISCELLANEOUS TELEPHONE FIGURES—BUSINESS
as of Year-End 1982

Total Main Phone Numbers[1]	15,304,615
Total Phones[1]	48,313,000
Estimated Total Annual Calls,[1,2]	129,170,840,000
Average Number of Annual Calls Made per Main Phone	8,440
Average Number of Annual Calls Made per Phone	2,674
Average Number of Business-Day Calls Made per Main Phone (based on 260 Business Days per Year)	10.28

[1] This information will no longer be available in the post-divestiture environment.

[2] Assumes of the total messages (completed calls), 52.45% were residential-originated, and 47.55% were business originated. This figure is less than the 1980-1981 statistics because only completed calls are considered.

Source: AT&T, 1982

Exhibit 7-3
ESTIMATED TELEPHONE EXPENDITURES FOR TELEMARKETING APPLICATIONS[1] as of Year-End 1982 (Dollars in Millions)

		Percent Increases Over 1981
Residential-Originated Local Calls	$ 656.4	2.1
Residential-Originated Toll Calls	821.3	6.0
Business Originated Local Calls	5,546.8	16.6
Business-Originated Toll, WATS, 800* Calls	5,911.1	11.7
Total	$12,935.6	12.8

*800 service is a toll-free service paid by business. Therefore, residential (consumer) placed 800 calls are included in this value.

[1] The research documents used to determine these figures are no longer available. The statistics represented are compiled based on the relationship between the reported 1980-1981 Telemarketing Expenditures and various revenue figures, then factored to represent 1982 Telemarketing Expenditures. The revenue figures used consisted of the following:

Local Message Charges—Business
Local Message Charges—Residence
Interstate Toll Charges —Business
Interstate Toll Charges —Residence
Interstate WATS and 800 charges
Intrastate WATS and 800 charges

Source: AT&T, 1983

Exhibit 7-4
ADDITIONAL TELEPHONE STATISTICS

	1982
Total Main Telephones	94,458,375
Percent Business	16.2
Percent Residence	83.8
Total Telephones	181,893,000
Percent Business	26.6
Percent Residence	73.4
Percent Main	51.9
Percent Extension	48.1
Total Messages (local, intrastate + interstate)[1]	271,652,668,000
Business Originated Interstate Messages Only	42.97%
Residence Originated Interstate Messages Only	57.03%
Average Daily Call Rate Per Telephone	
Overall	6.61
Excluding Residence Extensions	9.48

Monthly Percent Distribution of Attempted Calls—1982

	Total	Interstate	Intrastate	Continental U.S.
JAN	8.3	8.3	8.2	8.3
FEB	8.4	8.3	8.5	8.3
MAR	8.2	8.2	8.2	8.3
APR	8.7	8.5	9.0	8.6
MAY	8.3	8.2	8.4	8.3
JUN	8.7	8.7	8.7	8.6
JUL	8.2	8.3	8.2	8.3
AUG	8.2	8.2	8.2	8.2
SEP	8.3	8.2	8.3	8.3
OCT	8.1	8.2	8.1	8.2
NOV	8.3	8.4	8.2	8.4
DEC	8.3	8.5	8.0	8.2

Of the total interstate calls—78.3% were within the Continental U.S.

[1] Assumes a 3.6% increase over the 1981 completed call data. The number of call attempts reported in the 1980-1981 FACT BOOK are no longer available.

Source: AT&T, 1983

Telemarketing

Telemarketers have learned to respect and value the "open phone" relationship with the consumer. Their right to privacy is of grave concern and deserves protection. Today's industry has come a long way from the high-pressure tactics of the past. A strict code of ethics, tested standards of performance that are measurable and projectable, and creativity and accountability are the keys to successful telemarketing.

For the business-to-business marketer, the telephone opens up new channels of sales and distribution—quickly, economically, with total accountability. For the salesman, the telephone is a powerful tool for "softening up" new leads—resulting in a much more efficient sale's call than one made "cold."

In the consumer marketplace, the buyer either dials an 800 number on his/her own initiative or answers a ringing phone (when a telephone rings, you answer it!)—enabling the buyer to purchase a myriad of merchandise or services. Telephone shopping can save time and money. It is easy and it is convenient.

The Marketing Plan

Whether a consumer or a business-to-business program, the program starts with a marketing plan from which every aspect of the total operation, subsequently, takes its lead. As with any marketing plan, it defines the purpose and goals of the telephone program and includes:

- Sales Objectives
- Cost/profit projections
- Target Audience Data (List Selection)
- Creative Efforts
- Preparation of controls
- Records and Fulfillment Systems
- Selection and Training of Personnel
- Ongoing Test Modifications
- Final Evaluation of Results

First to be considered are engineering and logistics—market strategies.

For example: What are the "demographics" of the market—who are the "decision-makers" for your offer? Is it more effective to utilize "outgoing" prospecting calls, or should incoming calls be promoted through advertising in other media? Or, should a combination of both be used?

The lists have to be selected—testing the best lists first, because if it doesn't work with the best, it won't work! Here, the telephone is unique in its ability to obtain rapid, accurate, and low-cost testing results—200 calls to a business audience, or 500 calls to consumers, will usually provide a sound basis for evaluating the reaction and viability of the program.

What is the creative copy platform? Which name for a tape message will have the most impact or leverage with the target audience, i.e. the best name for the best list. Consider the offer. Can the cost be better amortized by offering more than one product—a "piggyback" offer?

What is the "close"? Is it a charge card sale? Does a bill follow in 24 hours? What is the break-even that the test must achieve? Then, what is the percentage of response planned for?

The controls, verification, monitors, and call-per-hour standards must all be structured in advance. It is then that the training and the pre-testing begins.

Twenty-five to thirty telephone numbers are dialed per hour. Seventeen are contacted. Ten decision makers are actually talked to per hour during the evening. During the daytime, five calls per hour to decision makers have been completed. Of the completed calls, how many say "yes"? Of those, how many actually convert and follow-through with dollars, sales appointments, memberships, subscriptions or orders? How long do they "stick" in continuity book programs?

Which list pulled best? How well do they pay? What is the total number of orders? Of conversions? How good was the lead, the appointment? How many sales from the phone leads were completed as compared to other media inquiries?

Which is the most cost-efficient phone system? Direct dialing after 6:00 p.m.? Is it long distance calling or a local workshop, or does the program call for using homeworkers?

It is all programmed. The introduction, the message, the "close" are all geared to our production-line concept of reaching the decision maker quickly—screening interest, offering a benefit, responding to need, taking the order, saying "Thank you" to everyone, as effectively, as efficiently, and as economically as possible. Yes, it is all programmed, and, for this marketing plan to work, it needs to be followed, watched and changed according to needs of the campaign.

The European Market

Up till now, we've been talking about and demonstrating the art of telephone marketing as it exists today in the United States. However, what about its applications to the much broader world market—specifically, to the European marketplace?

For example, let us examine one very specific and exciting development. Traditionally, the proportion of household telephones to total population in the United States has always been greater than the related ratio in European nations. While detailed demographic data about the incomes and interests of European telephone subscribers is difficult to obtain, it seems a reasonably sound assumption that this means the household telephone subscriber in the European nation is likely to reflect a subscriber with a higher per capita income level—within his own economy, of course—than is true of the typical American subscriber.

However, this proportion has been growing larger year by year. Now, for the first time, in a number of European nations, the total number of residential telephone subscribers is greater than the total number of business telephone users. This means that the European potential consumer market is growing and widening, to the point where direct marketers today have, within reach of their own telephone, a greater number, and a wider variety, of prospects than ever before to approach with an offer and a message.

What is the extent of some of these markets? Even before this recent growth—that is, as of the beginning of 1973—almost ten million people in the United Kingdom had telephones in their homes. In Italy, the number was seven million. Switzerland had close to two million subscribers. The total number of telephones in France, both business and residential, doubled in the ten-year period, 1963-1973—as they did in both Belgium and Germany.

So, with the technology already at hand, and future developments offering an excitingly broad scope of possibilities, the potential for the European marketer is certainly no less rosy than it has already proven to be for his American counterpart.

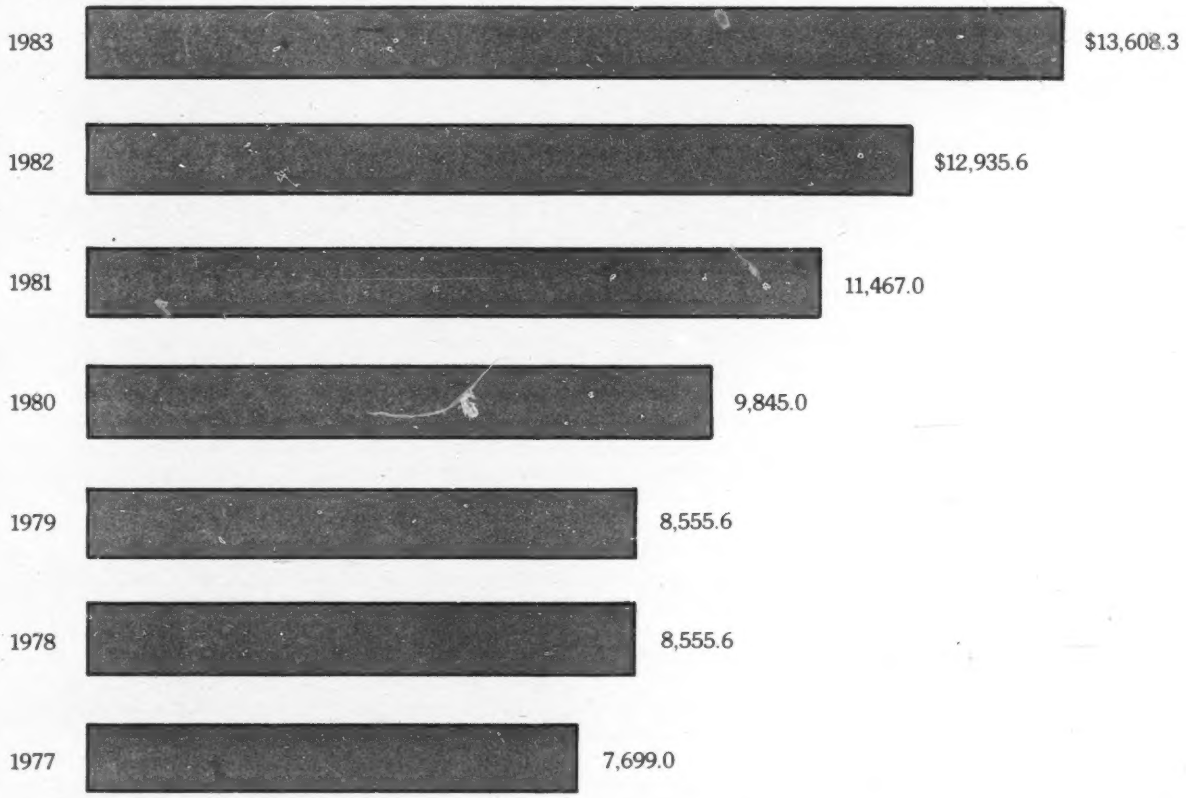
Conclusion

The total picture of a successful telephone-marketing program is that of a highly-organized production-line operation, in which the person-to-person intimate nature of the electronic phone communication dictates that the medium itself is indeed the message. The telephone is one of the foremost media of the future. Fundamental to assuring a place of prominence for the telephone are two major factors:

- The increasing cost of personal sales visits, which is causing marketers to search for marketing alternatives. Telephone is fast, flexible, responsive, accountable, and cost-effective.
- The increasing cost and current unstable delivery of Third Class mail—plus the two and one-half to five times return from the use of the telephone, as compared to a direct mail effort, from the same list.

Telephones have begun to perform any number of new services, based on satellites, facsimile transmitters, and picture phones. The phone will become the means by which homes and small offices will have access to computers. Shopping by home and computer is already a reality. The telephone, now entering its second century of existence, has already proven itself one of the great marketing tools of its age.

Exhibit 7-5
GROWTH OF TELEPHONE MARKETING*
in $ Millions**



Source: DMA Industry Update 1983, based in part on information from AT&T.
**Figures include toll & equipment costs but *do not* include labor costs

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8

New Electronic Media

by William E. Waites
Ogilvy & Mather

Direct-response media have undergone significant change in recent years.

Yes, mail continues to dominate. No better medium has been developed for reaching prospects in the kind of individualized way that is key to direct response. Mail provides the prospect with all the elements necessary and helpful to complete a sale. Mail provides bull's-eye targeting of message. It allows detailed explanation of all the reasons for purchasing a product (or asking for a sales call). It gives the prospect alternative ways to respond: a BRC or BRE, a toll-free telephone number, directions to a nearby dealer, etc. Of key importance, it does all this at the convenience and pace of the respondent. While it employs the immediacy and focus of a "personal" message, it does so without imposing on the prospect's privacy and individual priorities.

It can be argued that telephone as a medium gives the same benefits, with some advantages as well. Its dramatic growth to one of the two top positions in dollar volume among all direct-response media is clear testimony to its benefits.

Outbound telemarketing provides the opportunity for sales calls, prospecting or speeding up cash flow through accounts receivable collections—and for many other business-to-business applications. It is also used successfully in the consumer environment—if the campaign effort is given the proper attention. The call should be carefully scripted; it should be targeted to the proper lists; and the offer should be presented to its best advantage.

Inbound telemarketing is a different matter. The call is initiated by the customer. Triggered by some other stimulus, often mail, he or she comes to the transaction with a desire to know more and, often, even a predisposition to buy. This is an attitude that equals, and often surpasses, the customer's conscious decision to consider a direct mail offer. As we look to the new electronic media for direct-response opportunities we face some similar differences.

The New Electronic Media: Some Definitions

Precisely what are the new electronic media? First, there are the ***one-way*** media. These include broadcast television, radio, and conventional cable systems. Soon to be added is a medium called *teletext*.

Second are ***two-way*** media. Videotex (or, as it is called in Europe, Viewdata) is the primary occupant of this category. Videotex can and will use different carriers. Telephone lines appear to be the first and are apt to be the most pervasive. In fact, the most developed videotex services today deliver their service via telephone lines to personal computers. Two-way cable is another potential carrier. If, and as, cable is used to carry videotex operations, it will offer distinct advantages in terms of the speed and quality of transmission.

Third are ***stand-alone*** media. This category includes videodiscs, videocassettes and self-contained personal computer software.

It's important to point out that these divisions and categories exist today. The not very distant future will see the evolution of hybrids which will combine one-way and stand-alone media in ways that serve the customer better than any pure system can on its own.

Electronic media are, obviously, important tools for the direct marketer—they will become even more so in the years to come. How are they going to impact the direct-response advertiser?

Broadcast Television: Is It Passing Its Prime?

Notwithstanding that direct marketers have used broadcast television to sell their wares for decades, television is an excellent place to start any discussion of the new electronic media. For many direct-response advertisers, television is a very new medium. Tests of direct-response offerings conducted on television indicate that new products which can be demonstrated seem to do particularly well—for the same reason products in general distribution also do well on TV. With its sound and motion, TV is at its best as a demonstration medium.

Of course, while 30 seconds is adequate in general marketing to demonstrate a product and generate enough interest and curiosity to move the prospect closer to the point of purchase, direct-response requires a medium of 90 seconds and, more often, 120 seconds to get across a message of sufficient dimension to effect a direct sale. Al Eicoff, one of the pre-eminent practitioners of direct-response TV, feels if you cannot justify the longer time length in your cost-per-order equation, you're better off in most cases leaving TV to others—although a relatively inexpensive test can confirm whether or not TV is a cost-efficient medium for you.

In recent times, many direct-response television advertisers have found that even the longer length messages are losing their sock. No one has been able to fix the cause for this. There is much speculation. One point of view has it that the generally unhappy economy has been to blame. Undoubtedly, this has had an influence. Consider the high level of jobless workers who may be encouraged to order items for payment on delivery that they cannot afford to purchase at retail. With no change in their status and no cash to pay when the item(s) are delivered, result is a dramatic escalation of costly C.O.D. returns.

There also is evidence that cable penetration has cut into broadcast television audiences. Research has indicated that cable households watch significantly more TV than non-cable households. Viewers who used to sit in front of reruns on the independent stations, long known to be the prime prospects for direct-response television appeals, are now watching movies on cable.

With the direct-response efficiencies of broadcast television coming under considerable suspicion in recent months, many direct marketers have been driven back to more traditional direct-response media. The more visionary among them now look forward eagerly to what the new electronic media will bring. Their interest is not misplaced. Even in the hands of experienced time buyers, broadcast TV by nature is not very selective. The emerging new electronic media are extremely selective in audience composition.

Cable TV: The Electronic List

The make-up of the subscriber audience is no mystery to cable operators. They send each subscriber a bill in the mail every month—and, if the subscribers are on one of the pay tiers, the operator even knows the channels/shows watched during the billing period. The cable operator has ample opportunity to learn the preferences of his audience.

The direct marketer has ample opportunity to translate those preferences into target markets and use cable to serve those target markets. By most recent count, (November 1984), cable penetration has surpassed 43 percent of the American TV viewing population. Homes passed but not subscribing account for 62.7 percent. Cable systems have plenty of room to enlarge their audiences without laying expensive new cable.

Cable subscribers have discrete characteristics. They tend to have higher incomes and more education than the average TV viewer. They also are younger and more involved with electronic technology. As mentioned earlier, they watch more television. Of particular appeal to direct marketers are indications that cable subscribers tend to have mail-order and telephone-order habits that are above average.

Because cable markets still are small compared to the broadcast world at large, the cost of using cable is significantly less than is the cost of conventional broadcast TV. Small cable systems can be singled out for testing on a scale that almost any direct marketer can afford.

This does not take into consideration the cost of producing video material for cable. If broadcast standards were applied—with 30 second commercials averaging $75,000 each and occasionally costing as much as one-half million dollars—any kind of television presence would be prohibitive for most direct marketers.

But the onset of cable TV has led to the development of a different kind of television spot. In many ways it is akin to the traditional direct-response commercial. It is longer, filled with information, and presented in a no-frills fashion. These commercials (sometimes called *infomercials*) seem to work because the viewer comes to them *seeking* the information they have to offer. He or she is not dragged by the lapels into a commercial encounter that is not wanted and not welcome.

Fortunately, the most modest production values required for these spots have brought them back down into a cost range of $15,000 or less. Given the attention with which they are consumed by viewers, they must be replaced often. At the very least, they should be augmented by additional messages that communicate from a different point of view.

Cableshop: Call Up and See Me Sometime

Returning to the medium itself, there are numerous ways to buy cable time. One interesting approach with extensive infomercial test experience is called *Cableshop.* This was tested as a joint-venture experiment by the J. Walter Thompson ad agency and Adams-Russell cable operators in Peabody, Massachusetts. It is scheduled to roll out in 1985 (a delay from the originally scheduled roll out in 1984). Contracts have been signed with multiple system operators including Rogers, ATC, Times-Morris, Cablenet, Cox, Cablevision and Maclean Hunter. Boston, Los Angeles, New York, Detroit, Atlanta and Tucson are a few of the metropolitan areas involved.

Cableshop is a 24-hour product information and home shopping service. The subscriber receives a printed guide, similar to a program guide but listing the various infomercials available instead of programs. The listings describe in general terms the subject matter of the messages which run from three to seven minutes in length. These messages are presented in a regular rotation sequence—but subscribers may telephone a number to request that any message they would like to view be moved forward in that sequence. The time the infomercial will appear is then displayed on the screen so that the subscriber can arrange his or her schedule to be at the set at the appointed time.

Cableshop found approximately 30 percent of the subscribers used the telephone to request at least one message. While this is not an astounding number, it is sizeable. Other results were even more positive. Over 70 percent of subscribers watched the three Cableshop channels—which carry nothing but commercial messages—at least once a week. Moreover, viewers were found to have a very high level of satisfaction with the messages. Most people said they preferred them to the shorter, network-variety commercials which, uninvitedly, interrupt their television entertainment.

In many cases, the infomercials even were preferred to much of the television programming. The incidence of improved attitude about the advertiser and advertised product was most gratifying. Surprisingly, little direct-response testing has been done on Cableshop. Most of the messages have come from national advertisers such as Kraft, Levi Strauss, Swift, Eastman Kodak and Scott Paper, who pay about $6,000 a month to appear. Who knows what opportunities await direct marketers when viewers seek out your message instead of vice-versa?

The Cable Networks: Reaching Out by Reaching Up

It is, of course, also possible to buy cable TV in ways similar to the purchase of broadcast TV. In fact, a few broadcast stations have become so-called "superstations," sending their signals to an orbital transponder to be picked up by local cable operators who seek additional programming for their systems. An advertiser buys the station (e.g., WTBS-Atlanta, WOR-New York, WGN-Chicago) as an ordinary broadcast buy. The cable circulation is picked up as a bonus. Obviously, since this is a more traditional broadcast medium, the type of commercial most suitable to it is similar to those that have been done for broadcast direct response for years.

Special interest cable networks also can be purchased through a single source. Networks such as ESPN, SPN, etc. offer audiences with particular viewing (and, perhaps, psychographic) profiles. Matching these with known characteristics for key prospects can give the direct marketer consideration advantages.

The Newest New Media: Information on Demand is in Demand

The ultimate potential for the direct marketer lies beyond cable. Mention already has been made of videotex and its transmission over telephone lines. Perhaps it is appropriate to provide a brief primer (for those who don't already know) about what videotex is and how it works. Basically, it combines the home television set, the existing telephone line, and a large capacity remote mainframe computer—to provide the subscriber with a system for accessing, on-demand, a vast amount of late-breaking news, archival information, banking services, product and service information and transactional capability. This is the database to which previous reference was made.

All the subscriber requires is an electronic "black box" that connects the television set to the telephone line and a videotex keyboard similar to that on a typewriter. By pressing certain keys on the keyboard, the home viewer is able to display "pages" or "frames" of information from the database on the TV screen.

Some of that information takes the form of advertising, often bundled with other helpful information. Since the system allows the home viewer to make requests for information on a specific, personal basis, he or she can move through the database to find whatever is of immediate and compelling importance.

Videotex also allows the prospect to request more information, a sales call, or to place a direct order for merchandise. In this respect, videotex works just like the telephone or the mail—but the customer need not get up to make a phone call. There is no phone number to remember. And no requirement to talk to someone they fear might intimidate or high-pressure them.

In a crude form, videotex already exists in information services delivered to personal computer operators via telephone. (With recent revelations about violations of computer security, and movies such as "War Games," one would have to be blind and deaf not to know that telephones are used extensively to communicate between computers.)

These rather primitive forms of videotex reach hundreds of thousands of personal/business computer owner/operators. As of October 1983, The Source, owned by Reader's Digest, had more than 41,000 people subscribing to its service; CompuServe had more than 72,000 subscribers; Dow Jones News/Retrieval had more than 100,000. All three services doubled their subscriber base in 1984. All offer some form of interactivity, allowing users to input their own files to a central mainframe computer somewhere. Most offer some form of comparative buying service. Their primitiveness springs mostly from the limited graphics capabilities of most small computers. This is no problem for a system originally designed for data and word processing—and not primarily concerned with transactions.

But, this graphic limitation may explain why so little has been done by operators of computer-based videotex systems to offer them as marketing media. And, equally, why so few marketers are interested in videotex in this configuration. It is not easy to imagine how one might sell goods or generate leads using only words (although this often is accomplished in basic, simple mailings).

The bright star on the direct marketing horizon is videotex in its purpose-made format.

Several such systems have been put to test. Some of the more prominent have been Canada's "Grassroots," an agribusiness-based system in the province of Manitoba, now an up-and-running commercial service. Another is "Viewtron," the Knight-Ridder/AT&T joint venture conducted in Coral Gables, Florida. A third is the Times-Mirror "Videotex America" test conducted in Southern California.

All of these have been tests with small user bases. Even with an on-going commercial service, "Grassroots" served only about 1,500 subscribers Canada-wide in 1983. But its program has been successful enough to support its own steady expansion, based on its ability to deliver not only valuable agricultural, market, and weather information to the farmer but also to provide consumer-oriented transactional services which are equally valued.

Times-Mirror's "Videotex America" test was conducted among 300 homes over an extended period of time. Commercial service, under the name "Gateway," began in the fall of 1984.

Viewtron: The Waiting Continues

In the meantime, the largest "pure" commercial videotex service in the U.S. was launched in October 1983. This is the commercial manifestation of Viewtron which was preliminarily field-tested among 200+ South Florida homes in 1981-82. This test provided evidence to the satisfaction of Knight-Ridder of sufficient demand to justify their investment of nearly $29 million in developing a functioning commercial videotex system. Viewtron was introduced under a strategy promising instant gratification, with the theme "The Waiting is Over." Plans called for at least 5,000 subscriber homes in Dade, Broward, and Palm Beach counties by the end of the first year of operation. Scaling up from there annually in geometric proportions, Knight-Ridder also targeted 17 additional cities for roll-out of "Viewtron" as quickly as a successful south-Florida launch dictates.

By late 1984, however, it was obvious that Viewtron had problems. With fewer than 3,000 subscribers, the service lost a great deal of money ($17 million, by one estimate) and faced an uncertain future. One reason often cited for the failure is the need for subscribers to purchase a special graphics decoder at an approximate cost of $600.

There have also been some problems with the organization of the database. But these are to be expected with a new system comprised of hundreds of thousands of pages of information — and they are being worked out with minimal inconvenience to subscribers.

"Viewtron" advertising rates, which are being adjusted continually as experience is gained, are based on a charge to generate a frame, another charge to insert it into the database, another to store it monthly, another to up-date it (and up-dating, as we shall see, is one of the chief attractions of the medium). Finally, a percentage of the purchase price is charged for each item sold via the system.

Lest all this scare you off, the individual amounts are quite small — as is the total. A direct marketer can get valuable experience in this new medium for a surprisingly low price.

Teletext: Potential Unlimited, Opportunity Unknown

A videotex lookalike also is being experimented with and receiving its share of industry hype. It is called *teletext*.

It looks like videotex in that it, too, consists of individual "pages" or "frames" of text and graphics which are displayed via the home television set. The fundamental difference is that teletext is one-way. It is sent out over the air (in a portion of the broadcast signal the current picture doesn't use). If you have a teletext decoder, a device similar in appearance to a videotex terminal, you can "snatch" teletext frames off the air by pushing buttons on a keypad. These frames are then displayed on your screen.

At this point, the cost of teletext technology is much less than videotex technology. It is entirely likely that teletext will be operational across the nation long before videotex. And it may well be an important new electronic medium for direct marketers. But, lacking videotex's interactive (or transactional) capability, it will never have the potential videotex has for those who sell direct.

Still, early experimentation in text and graphics for the teletext format will be helpful for the advertiser who later plans to exploit videotex.

Time Inc. and Centel's KeyCom have been prominent among teletext operators and developers. Not unexpectedly for the medium with more potential for the general than the direct marketers, most experimentation in teletext has been done by general advertisers and their agencies, among them Young & Rubicam and Ogilvy & Mather.

The KeyCom teletext system is up and running. It is being sent via satellite to cable operators across the country as part of the broadcast from WTBS in Atlanta. This gives it a potential audience of over 24 million homes. But by the fall of 1984, KeyCom had fewer than 400 customers, and its survival was in doubt.

Meanwhile, Time announced it was abandoning its teletext experiment. What this bodes for the future of this medium is unclear. There is some speculation that Time's withdrawal is linked to their attempts to turn teletext into something it is not, a truly interactive service. That distinction remains more naturally for videotex. But teletext may yet emerge as a popular information medium in the U.S., as it has in England. Perhaps its best potential for direct marketers will be as part of a hybrid system.

The Hybrids: The Best Answer May Not Be One Answer

These were mentioned earlier and are likely to take several forms. For example, one possibility for teletext is to use it to communicate entire software programs to personal computers. This is called down-loading and can dramatically expand the amount of information transmitted via teletext. Lodged in the home computer in the form of games or analytical programs, it will allow the user to interact with the program within his or her computer. There is no limit to the advertising content these programs can contain. Some very interesting experiments have already been conducted in this area. Of course, interaction directly with the marketer requires use of more traditional response devices.

In another example, subscribers to Canada's "Grassroots" system receive a monthly magazine similar to a program guide (in addition to the program guide inherent in the system's "menu" format). This is used to announce new services and new advertisers. It is also used to cross-ruff between printed messages and access codes for electronic frames.

As an experiment, videotex users were given hard-copy, four-color catalogs of merchandise which could be ordered via the videotex terminal. The catalog provided the kind of photographic visual not yet possible with videotex. Videotex provided up-to-the-minute information on sizes, colors, stock availability, delivery options and cost, information which quickly becomes outdated in a catalog.

Most notable among mass merchandisers, Sears has experimented with a videodisc version of their 1982 summer sale catalog. Imagine the impact of a four-color catalog with product-in-action demonstrations selling copy in sound and the emotional content of music. Now, imagine it integrated with a videotex system providing the latest purchase information, automatically and on cue. Such systems are already being tested on public-access terminals in Canada and the U.S.—and meeting with enthusiastic consumer acceptance.

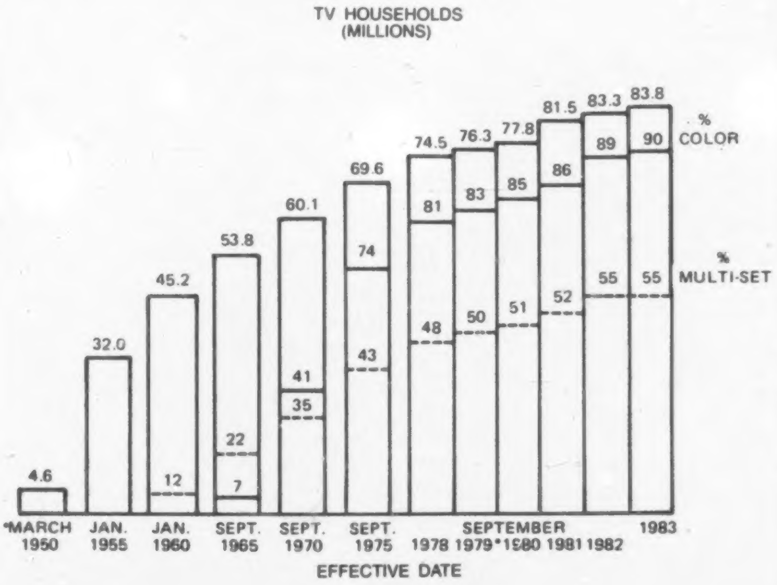
Summary: The Dawn of the Good Old Days

In its attempt to cover the highlights of the new electronic media for direct marketers, this article can only skim the surface. Mike Slosberg, former president of Wunderman, Ricotta & Kline, observed that *all* advertising was once direct-response advertising. With the development of alternative distribution systems, direct marketing and general marketing went separate ways. The emergence of the new media, especially the interactive media, suggests a reunification is in sight. Changes in consumer lifestyles, combined with the unchallengeable convenience promised by the likes of videotex, could lead consumers en masse back to direct-buying habits. The disciplines direct marketers have honed over the years will become even more valuable in years to come. And the opportunities the new media will offer direct-marketing practitioners will provide a Golden Age for those who embrace it. Starting now.

Exhibit 8-1
TV OWNERSHIP

89 Percent of Households Have Color
55 Percent Own More Than One Set

The number of U.S. TV households keeps increasing every year. As of January, 1984, there were 83.8 million homes equipped with at least one set. Of these, 90% had color sets and 55% had two or more sets.

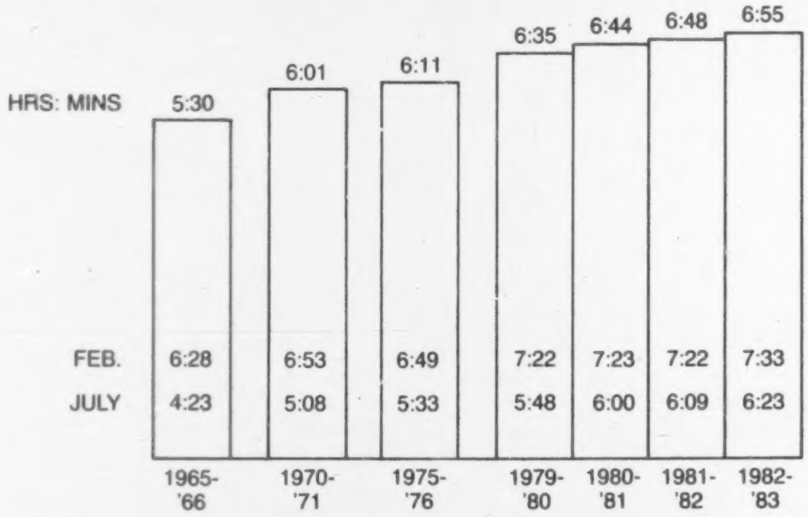


Source: TV Ownership U.S. Census 1950-'70; Nielsen Estimates 1975-'83 Color ARF Census 1965; Nielsen Estimates 1970-'83 Multi-Set. U.S. Census 1960-'65 Nielsen Estimates 1970-'83

*As of 1979, estimates based on Jan. 1 of following year, effective in September.

Exhibit 8-2
AVERAGE HOURS OF HOUSEHOLD TV USAGE PER DAY

U.S. TV households viewed an average of 6 hours and 55 minutes a day during the 1982-'83 TV season. This is the highest ever. As for February and July (traditionally the highest and lowest viewing months respectively), both months also had significant increases in TV usage.



NIELSEN ESTIMATES BASED ON TOTAL U.S. TV HOUSEHOLDS SEPT.-AUG. 48-WEEK AVERAGE EXCLUDING UNUSUAL DAYS.

Exhibit 8-3
CABLE NETWORKS ACCEPTING ADVERTISING
FEBRUARY 29, 1984

PROGRAM SOURCE	# HH (000)	% U.S.	FORMAT
Arts & Entertainment (1)	—	—	Cultural
Black Entertainment (BET)	5,870	7.0	Black
*Business Times	30,170	36.0	Financial News
*Cable News Network (CNN)	25,140	30.0	News
*Cable News Network II (CNN II) (2)	10,060	12.0	News
*CBN-Cable	21,790	26.0	Various
*ESPN	30,170	36.0	Sports
Financial News Network	15,290	18.2	Financial News
*Lifetime (3)	15,080	18.0	Women & Health
Modern Satellite Network	9,280	11.1	Info
*Music Television (MTV)	19,270	23.0	Music
*Nashville Network	13,410	16.0	Country
National Spanish Network	NA	NA	Spanish
*Nickelodeon	18,440	22.0	Children
Satellite Program Network (SPN)	10,700	12.8	Various
*USA Network	22,630	27.0	Various
*Weather Channel	10,890	13.0	Weather
*WGN (CHICAGO)	17,600	21.0	Various
*WOR (NEW YORK)	16,760	20.0	Various
*WTBS (ATLANTA)	29,330	35.0	Various

U.S. Cable penetration is currently at 41% of TV households.
(1) Hearst/ABC Arts and The Entertainment Channel have merged and premiered February 1, 1984. Substantiation of subscriber homes was not available at press time.
(2) Incorporates former SNC systems.
(3) Cable Health Network & Hearst/ABC-Daytime have merged and launched as Lifetime February 1, 1984.

*As reported by A. C. Nielsen, February, 1984.

Source: Leber Katz Partners, 1984

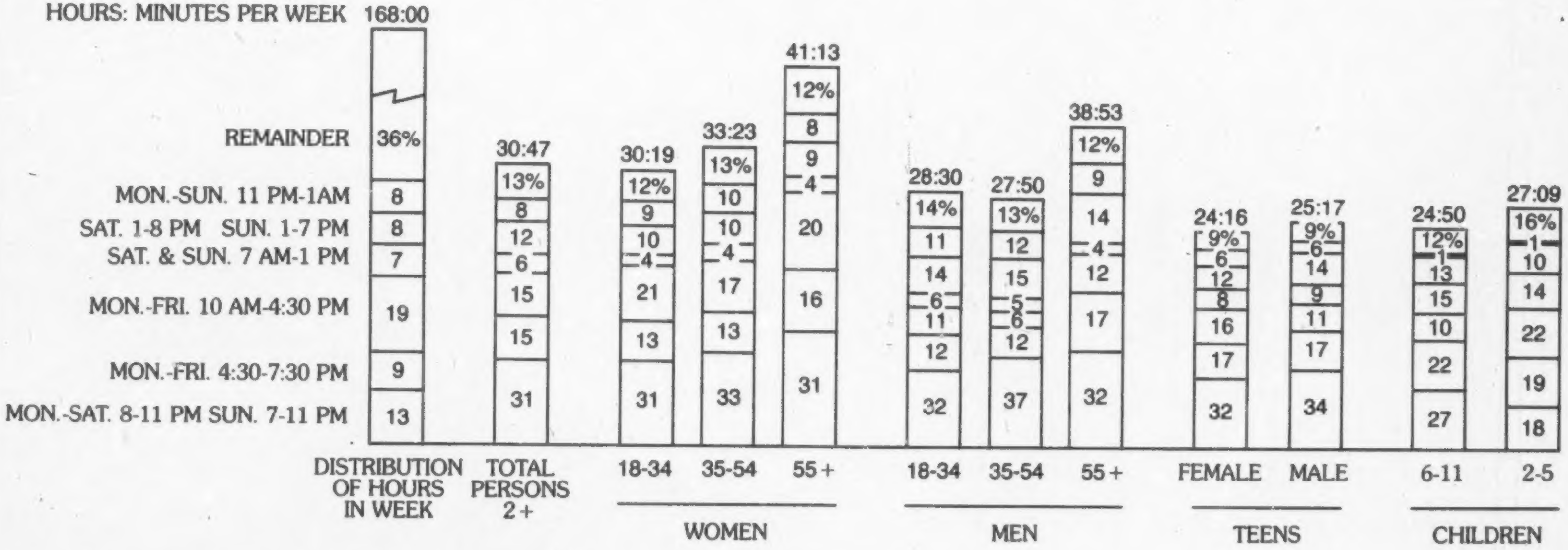
Exhibit 8-4

WEEKLY VIEWING ACTIVITY FOR WOMEN, MEN, TEENS AND CHILDREN

November 1983

For the most part, women view more TV than men, older men and women view more than younger adult age groups and younger children view more than older children and teenagers.

All of the age groups show an increase in viewing over a year ago.



Source: Nielsen Estimates: National Audience Demographics Report, 1984

Exhibit 8-5
CABLE PENETRATION

(Top 50 designated market areas ranked by TV households—11/84)

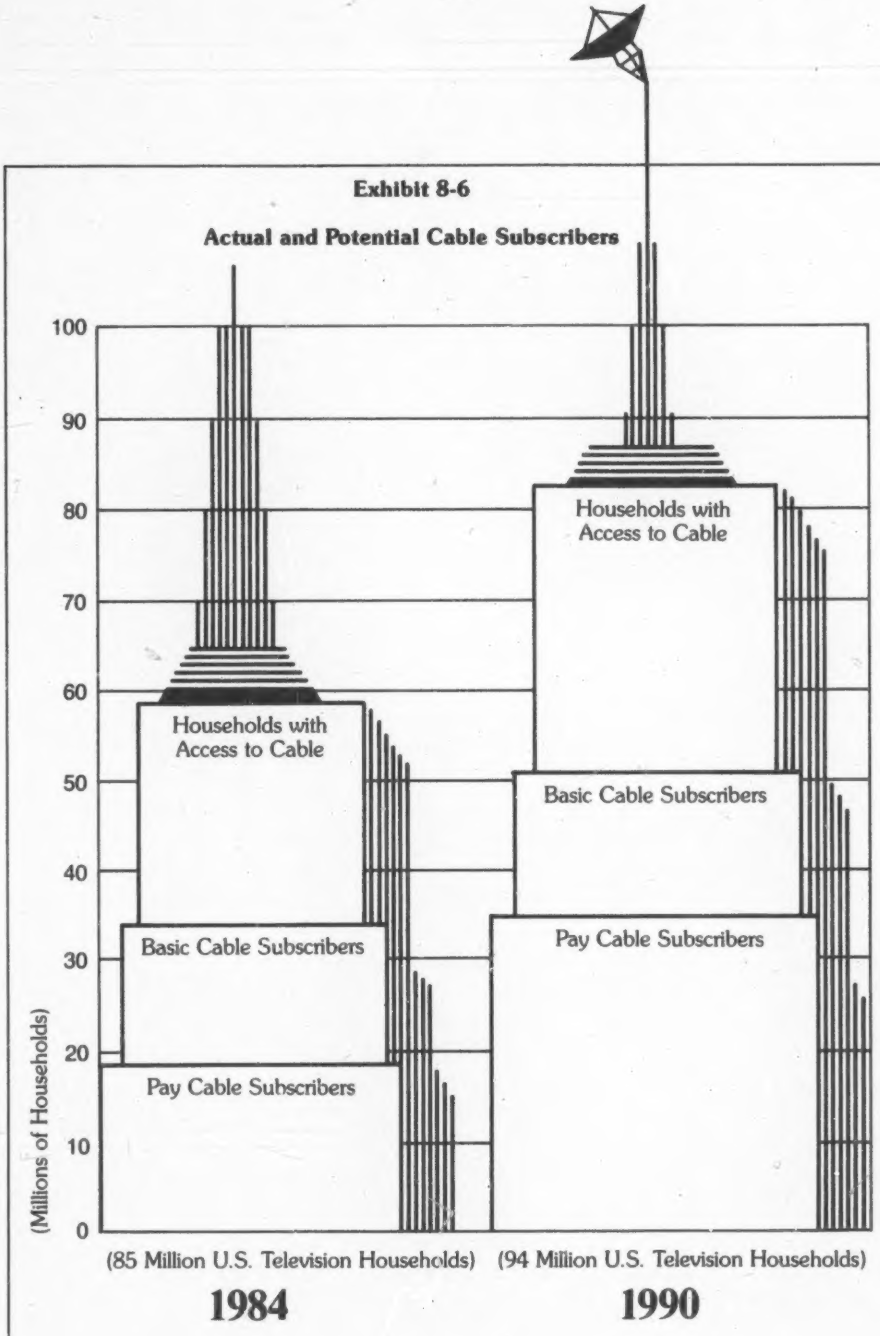
A recent A.C. Nielsen Co. report says that 37,290,870 U.S. households (43.7%) are now wired for cable. This chart shows the top 50 designated market areas by number of cable TV households.

Rank	Designated Market Area	% Penetration Nov. '84	Cable TV HH's Nov. '84
1	New York	34.0	2,236,030
2	Los Angeles, Palm Springs	34.1	1,510,050
3	Chicago	23.0	690,970
4	Philadelphia	44.1	1,088,550
5	San Francisco-Oakland	47.1	973,120
6	Boston, Manchester, Worcester	40.2	776,010
7	Detroit	31.3	512,680
8	Washington, D.C.	22.3	337,850
9	Dallas-Ft. Worth	36.7	554,450
10	Cleveland, Akron	43.4	618,640
11	Houston	42.1	593,680
12	Pittsburgh	58.9	717,220
13	Miami-Ft. Lauderdale	41.7	477,020
14	Minneapolis-St. Paul	19.5	221,930
15	Atlanta	40.0	456,070
16	Seattle-Tacoma	50.6	572,650
17	Tampa-St. Petersburg, Sarasota	42.6	474,210
18	St. Louis	31.6	331,180
19	Denver	37.7	362,020
20	Sacramento-Stockton	31.9	287,790
21	Baltimore	28.5	244,310
22	Indianapolis	45.2	379,390
23	Hartford & New Haven	58.8	492,630
24	Phoenix	35.7	287,900
25	Portland, OR	36.8	286,140
26	San Diego	65.1	489,570
27	Cincinnati	40.5	288,980
28	Kansas City	45.2	318,660
29	Nashville	37.0	255,530
30	Milwaukee	28.6	196,210
31	Orland-Daytona Beach-Melbrn	53.1	353,360
32	New Orleans	50.2	319,160
33	Charlotte	40.3	254,280
34	Buffalo	55.4	342,070
35	Greenville-Spart-Asheville	40.0	242,440
36	Columbus, OH	48.3	289,710
37	Oklahoma City	48.2	287,080
38	Birmingham, Anniston	45.3	262,300
39	Raleigh-Durham	41.2	235,050
40	Salt lake City	34.2	194,800
41	Grand Rapids-Kalmzoo-B. Crk	48.1	270,720
42	Memphis	42.0	230,380
43	Louisville	46.1	248,540
44	Providence-New Bedford	41.5	219,840
45	San Antonio	60.1	309,360
46	Harrisburg-Lncstr-Leb-York	56.2	288,960
47	Norfolk-Portsmth-Newpt News	46.3	231,240
48	Charleston-Huntington	61.8	308,040
49	Wilkes Barre-Scranton	68.2	339,260
50	Dayton	56.1	265,370

Source: A. C. Nielsen Co., November, 1984

Exhibit 8-6

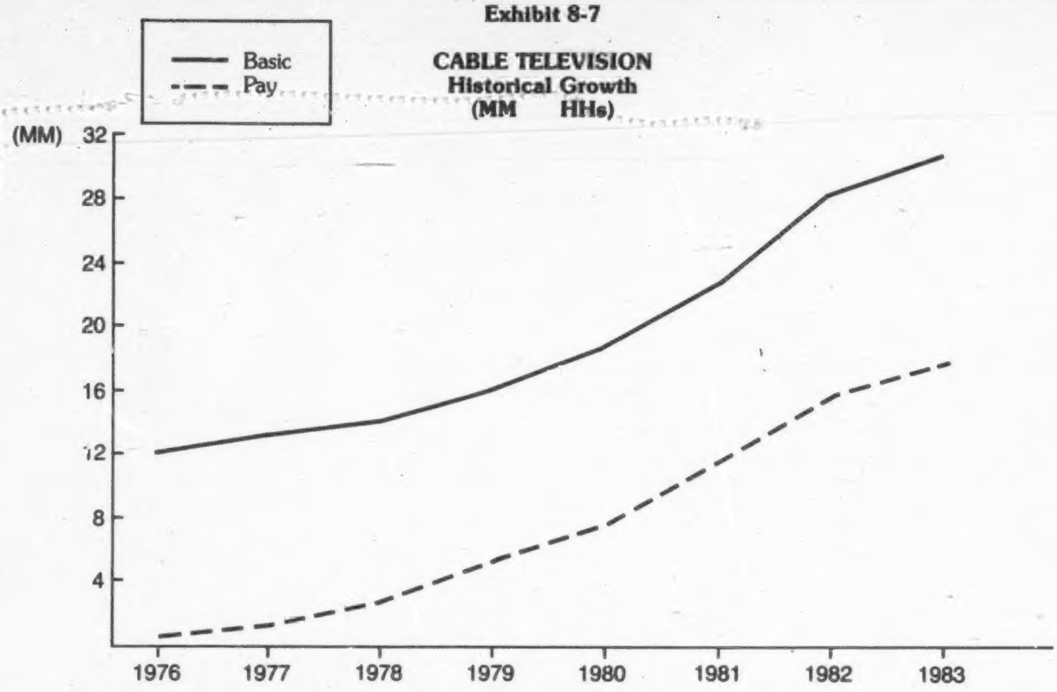
Actual and Potential Cable Subscribers



Sources: 1984 data-Cable ProFile Data Base, International Communications Research
1990 data-Nielsen Station Index and Grey estimates

Exhibit 8-7

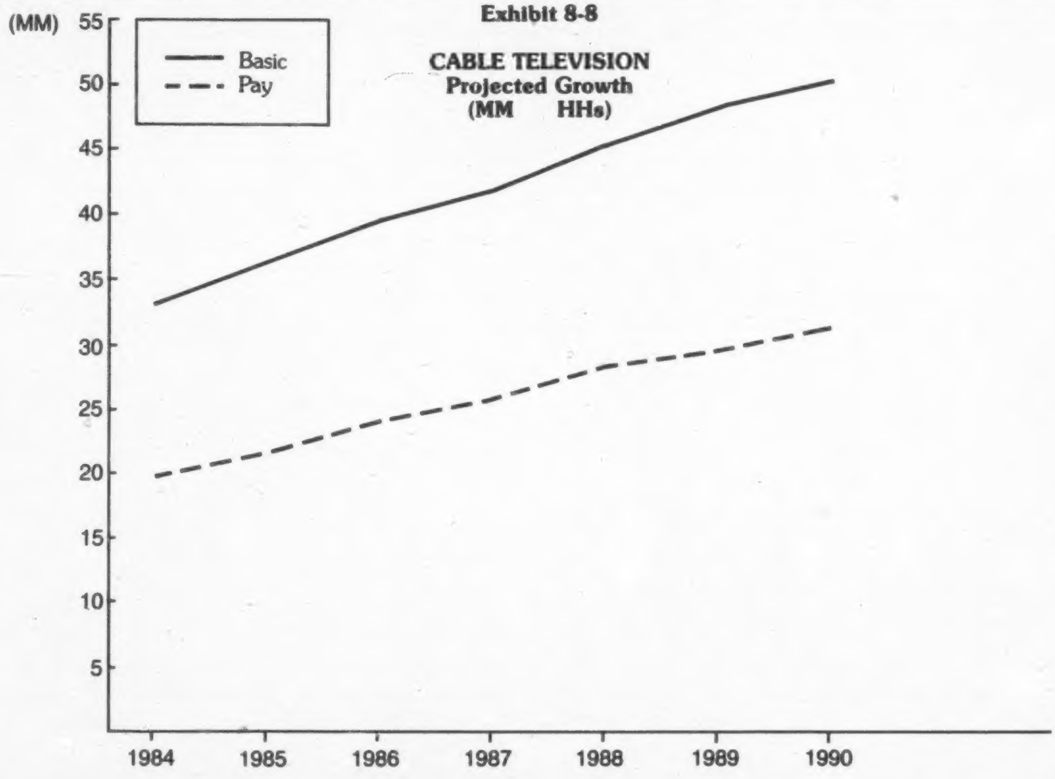
CABLE TELEVISION
Historical Growth
(MM HHs)



Source: Cable ProFile Data Base, International Communications Research, 1984

Exhibit 8-8

CABLE TELEVISION
Projected Growth
(MM HHs)



Source: Cable ProFile Data Base, International Communications Research, 1984

9

New Technology

Section I — Pre-Press Electronic Preliminary Systems

by Noby Yamakoshi
NOBART, Inc.

From the first Montgomery Ward direct-mail piece produced in 1872 to the sophistication of the 1980s, there have been many technological advancements developed to sell more merchandise through direct mail. The line illustration woodcuts used in the 1870s to illustrate merchandise gradually evolved into more realistic wash (tone) illustrations. From these black and white illustrations, photography began to replace the artist's renderings. From black and white photography, full living color photography evolved, bringing products to life, creating a greater desire on the part of customers to buy through direct mail.

With this general background of direct mail graphics history, this section reviews today's technology and projects tomorrow's developments in the pre-press electronic systems, chronologically from the conceptual layout, copy and type, photography, and color separations.

Creative Layouts by Computers

Layouts can now be prepared with the aid of computer technology. Systems are designed to be a creative tool for the non-computer-oriented layout professional. Graphic computers are able to create, illustrate, digitize, and animate. They can output to a variety of media: video, full color prints or transparencies, and greyscale copies, again and again, without harming the integrity of the image. The sophisticated computers are equipped with an electronic easel and stylus that can be used to draw, airbrush, or paint original images.

A video camera can scan and display on a monitor any two or three dimensional object, such as products, type, photographs, tear sheets, logos, even live objects. These images can be colored, exploded, compressed, repositioned, and turned inside out or upside down.

Altering visual images electronically allows more creative flexibility than has been available through traditional graphics and optical methods. The computer can change colors, shapes, sizes on any graphic element instantly; has more than 16,000,000 variation of colors at the operator's fingertips; and can be equipped with infinite symbols, logos, and type fonts. All visual images can be stored on discs for future use or rework.

In direct mail catalogs, the layout computer machine can create a page and give different alternate effects in merchandise or background colors instantly on the computer screen or with a color print.

Copywriting and Typesetting Electronically

Digital technologies have been applied in the typesetting industry. First, there was paper tape used to input information on monotype and linotype machines. Holes were punched into paper tape that represented different alpha and numeric characters and functions. The tape was fed through a reader that forced compressed air through the holes causing switches to be thrown that represented different characters. Compressed air was later replaced with light that was shown through the tape into a fiberoptic head, which did a faster, more efficient job of reading tape. As typesetting evolved into photo composition, most processes of the machines fell under microprocessor control.

Each of these modifications speeded up typesetting equipment functions, but a threshold appeared at about 80 lines of copy per minute which could not be exceeded without severe quality degeneration. It was found that the mechanical processes in photo typesetters could no longer be speeded up to match the speed of the microprocessor-controlled functions. So, a third generation of photo typesetter was designed that would eliminate all moving parts except for the film transport, which moves the roll-fed paper past the photo unit.

Unlike the second generation photo typesetters, which utilized a spinning or side to side moving negative film font that was exposed through to image the character on sensitized paper, the third generation, CRT typesetters, have digital information recorded on a Winchester hard-disk drive. This digital information represents black and white images or characters to be exposed on the sensitized paper as it passes over a cathode ray tube.

The process is so fast that the paper moves continuously and the CRT beam "chases" the paper, offering output speeds of up to 3,500 lines per minute.

Off-Premise Copywriting

Information networking is the process of creating data at remote locations for transmission over phonelines to a central point where data can be collected, massaged, then redistributed for use at other locations or to drive other types of equipment. This type of networking system is being used more frequently today for typesetting applications.

Copywriters and editorial people are able to work at off-premise locations to prepare copy for all types of catalogs and publications. Copywriters use a computer terminal and a modem to dial into a central computer where they write copy into an electronic file. This information can be preformatted to use all the functions on a photo typesetter, such as type sizes, type faces, indents and multi-column page make-up. These electronic files can be proofread from a computer terminal, so that it is no longer necessary to run an etch proof to find mistakes. Should some copy need to be rewritten, the copywriter can call up and edit the first version electronically, then close the file, which gives the typesetting personnel immediate access to the information.

Accuracy, speed in relay time, and cost savings are realized by technologies in copy and typesetting.

Technical Innovations in Photography

Since 1945, many technical advances have been made in modern photography. The greatest advances have been in film, processing, lighting equipment, and camera (both small and large format), lens technology, and exposure automation through computerized metering data.

Although the studio working environment for the creative photographer has not changed significantly, the equipment and tools have made great technological progress. Creativity with new generations of films, cameras, and lighting equipment have made their work more automated and productive. Today and in the future, the photo industry's ability to grow at an accelerated pace will come from photo equipment innovation by manufacturers and the momentum of the photographers.

1826—"World's First Photograph," was a heliograph by Niepce. The next significant process was developed in 1837 by Daguerre—a positive image developed without a negative on a copper plate. This process remained in use until about 1860.

In 1880, George Eastman began manufacturing dry plates and formed the Eastman Dry Plate Company. Eastman introduced the first commercial sheet and roll film to the public in 1888, and the trademark "Kodak" was introduced.

Glass plates, to paper, to celluloid were introduced July 1889. In 1935, Kodachrome film was announced to the public. Then in 1938, Kodachrome sheet film was developed for use with large format professional cameras, along with 35mm film; from this emerged the Ektachrome film which is used by studio photographers today.

The first Ektachrome film was created in 1946 as Daylight and Type B sheet film for professional photographers. The Daylight speed was 12 and the Type B speed was 10. Process E-1 enabled photographers to process their own transparencies in about 90 minutes at 20°C (68° F).

In 1976, new Ektachrome professional films, Ektachrome duplication films, and new processing chemicals for E-6 made their appearance. Speeds of 1000 negative films (Daylight) are now possible on roll films and 200 (Daylight) on professional sheet film. Processing time has been reduced to 38 minutes dry-to-dry. From those first dry plates by George Eastman in 1880 to the ASA 400 Daylight in 1983, each step has been a significant advantage to the working photographer. Today, there are over 350 types of film, both color and black and white, transparency or print, still or motion, to assist the professional photographer to achieve his creative objectives.

New electronic codes may appear on 35mm films to enable automatic cameras of the future to take better pictures. Such cameras would read a film's speed and adjust the camera's exposure. They would, also, be able to determine what type of film was in the camera, color, black & white, negative, or reversal, and adjust over and under exposure tolerances. They could tell the camera the number of exposure on each roll and signal the user to rewind after the last exposure. While no camera currently on the market can read these codes, 35mm equipment manufacturers will be able to design cameras that can.

"In house" processing of color films, reversal or negative, can be easy and economical for all photography studios. There are many methods for processing, from totally manual hand procedures to fully automatic computerized systems with automatic replenishment systems. Replenishment is the replacing of a certain amount of exhausted chemicals with fresh chemistry determined by a microcomputer.

Another important technological advancement in film and processing was the invention of the Polaroid film process in 1947 by Dr. Edwin Land. This process enabled finished prints to be seen in seconds. It started with simple black and white prints. A complete line of cameras and film has now been developed, from 35mm instant black & white and color transparencies called the Polaroid Autoprocess 35mm System to a 20" × 24" color print. The 8×10 Instant Polacolor Print is now widely used in professional studios along with 4×5 black & white and color.

Along with film and processing technology, lighting, cameras, and lenses have also made spirited advances to assist professional photographers.

The advance in photographic lighting was being developed during the late 1930s by Dr. Harold E. Edgerton, who was an electrical engineering professor at M.I.T. He was working on an electronic flash which could freeze high speed action. Exposures as short as one millionth of a second were possible with his equipment.

The electronic flash has rapidly replaced the old "hot lights" associated with photography, although tungsten lights still are used in professional studios. The mobility, creativity, and effectiveness of the professional photographer has been greatly increased by the use of the electronic flash.

Lighting is the photographer's most important tool, since photography is simply the reproduction on film of the effect of light on the subject. Only by understanding the principles of lighting, and then applying them with the right lighting equipment, can one master the art of lighting.

Modern lighting systems offer a vast array of specific equipment, each of which has been designed to give a specific lighting effect. From simple electronic units designed for small work, manufacturers now have developed a modular system flash unit to allow the photographer to switch flash as easily as switching lenses. This is achieved by totally interchangeable heads. You simply choose the right head for the right situation, and you'll have the same type of creative control only found in daylight shooting (without flash).

In the future, for small flash systems, we will see more powerful units, lighter, smaller and more compact, more accessories, also infra-red flash, or radio controlled flash, or fiber optic flash. These last three items are available in more expensive, sophisticated professional systems.

The professional studio equipment, power packs and flash heads, are separate working tools. Modern technology has given the professional photographer a wide range of equipment to choose from to meet the challenges of his assignments.

Most electronic flash equipment comes complete with many accessories to work in conjunction with the basic Power Pack and Head.

The accessories are many and varied to assist the photographer to shoot better pictures; from umbrella to light stand, Opalites for special effects with grid spots; for dramatic lighting, incandescent room lighting with tube pencil lights, colored lights to make photos more interesting.

With the popularity of light-box or soft-box photography, electronic flash offers the photographer shorter exposures for cleaner and more consistent background and merchandise colors—thereby reducing costly retouching time.

Fiber-optic flash systems, along with radio-controlled equipment, and front projection are among the options now available through modern technology for the professional.

While camera bodies in the early days were relatively simple in their construction, usually being built by cabinet makers, they were relatively expensive. Similarly, the technique of lens making required great skill. A factor necessary for the adoption of photography was a relatively low-cost camera.

Modern technology has brought the industry a long way from 1913 when the first still camera to use 35mm film was introduced. While the camera was a sophisticated instrument, with F/3.5 or F/2.5 lenses, and shutter speeds up to 1/200 second, the camera "died," a victim of the first World War.

Three events then occurred that had little influence on photography for the average person, but were previews of things to come. These were the introduction of the coupled rangefinder, an automatic film advance, and the Leica. The Leica's appearance in 1927 for $88.00, and its influence on camera design, makes it the most influential camera of the past half-century.

About 1940, there was a parallel development in another type of camera—the twin-lens Reflex. This led to the modern day single-lens Reflex (both the 2¼ × 2¼ or the 35mm).

Modern technology has brought us to the 35mm system with its professional motor drive, the finest in optics—the highest technological sophistication known today.

Apart from high-quality action photography, the real strength of the professional lies in large format view camera techniques with which he can compose single shots with complete control of quality and image effects. Obviously, the well-rounded professional will continue to work all formats—35mm and 2¼ × 2¼.

The precision-engineered view camera with up-to-date lenses, improved focusing, and modular construction will, therefore, find itself complemented by a modular electronic system. The basis is the digital shutter with its microprocessor system. Various modules adapt this automation to the specific job requirements of each professional photographer of the 1980s—and these developments will help him maintain his superior standards.

The essential developments in view camera lenses took place in the 1950s and 1970s. The latest advances are based on computerized lens design (more advanced optimized calculation programs), and the use of new glass types, multicoating lenses, leading to reduced flare and increased image contrast.

In the future, we can look forward to a fully electronic view camera with in-camera spot metering, digital shutters and flash modes. Also on the horizon are filmless cameras with the ability to capture images on magnetic media. These images then can be easily manipulated in digital form for page makeup, color correction, retouching and electronic storage, retrieval and transmission. All this leads to better photography—that will help sell more merchandise for direct mailers.

Electronic Page Makeup Graphics System

An electronic page makeup graphics system can be defined as a finished art and type production, color retouching, color separation, stripping and proofing system utilizing electronic digitized information to create a finished four-color page. A graphic system consists of, essentially, three separate, independent operating stations, the first of which is the scan and recording station. The scanner is tied to a process control computer, whereby the process color is scanned, digitized, buffered by the computer, and recorded on a 300 megabyte disk pack. Once the picture data has all been scanned and recorded, the data is then transferred to the second operating station with a digitizing tablet cursor, a high resolution color monitor, alphanumeric keyboard, a function keyboard, and disk storage.

In making the page, which includes layout of the picture elements, retouching, cropping, silhouetting, generation of tints, borders, the operator can also, working with the fine resolution picture data, do color correction in the form of overall or localized areas and do retouching and electronic airbrushing.

Once that is done and the page parameters are generated, there is a third station which is simply an offline data processing station, where the picture data is readdressed as per the page makeup requirements. The system can also be enlarged to create functions in offline to breakout the stripping functions from the color unit to allow for increased production of the stripping and color correction areas, now performed at the main station.

The layout programmer is an offline station, and it has a digitizing tablet, a cursor, a color monitor as well as an alpha numeral and function keyboard. The operator can do the stripping functions independently of the color correction functions. The operator can place the layout on the digitizing tablet, generate all the parameters needed for the positioning of the pictures, the cropping, tints, borders, all the necessary information that is needed for the assembly of the page. Also at this station, the operator has the opportunity to program the operating parameters for the scan station as well as the recording station.

It would be advantageous to record the film away from scanners, so there is an offline system for this function as well. With a film cassette, we can load 100 sheets of 21" × 29" printing film, and put it inside the recording unit; automatically the film (similar to the feed unit on a press) is, one by one, taken out of the stack and is punched and mounted on the recording drum. The recording is done, after which the rotation of the drum is reversed, the film is taken off and then transported through a transport system to an online rapid access processor. It can be tied to a multiple disk drive and run unmanned for hours utilizing all the sheets in the stack. This unit uses a laser head for its recording of the digitized information.

The most important feature of this system is the ability to perform the many tasks of graphic reproduction in a total electronic environment. We are now able to see the finished product before any final printing film is used, and changes and corrections are now accomplished without the loss of materials and time. This electronic page makeup graphics system is the future of color reproduction.

Section II — Individualized Computer Printing

by Leo R. Yochim

Printronic Corp. of America

Introduction

The basic reason to individualize computer printing is to increase your percentage of response to a mailing and, therefore, increase the profits of the company. Enough tests have been done, by different types of companies in direct marketing, which indicate that personalized mailing pieces will, generally, increase response. This increase is accomplished, because the personalization on the mailing piece attracts the attention of the reader and motivates him to read your offer. The more you can get the recipient to read your offers, the more response you should achieve.

It is the intent of this section to define the various elements that can be individualized in the mailing package.

Elements Required for Individualized Computer Printing

There are four basic elements required for personalizing computer printing. They are:

- Data available for personalization
- Formats for personalizing
- Equipment for personalizing
- Software programs for personalizing

The elements mentioned above will be discussed and presented in exhibit form.

Any combination of personalization can, generally, use *any* format that is produced on any type of equipment. The interrelationship between these elements is unlimited.

The software utilized to accomplish the individualized computer printing has been written by companies and/or service bureaus that produce individualized computer printing. It is not possible to organize the software into chart format for presentation purpose, because each program is individualized by the specific systems designer and/or programmer who wrote the software packages.

However, the utilization of personalization should be done in good taste, and the privacy of individuals should be protected whenever personalizing letters.

1. Exhibit 9-1 — Data Available for Individualized Computer Printing

Displayed in Exhibit 9-1 are some options that are available to the copywriter for utilization in direct-mail promotions. Databases can be created containing the interrelationships of customers, prospects, and compiled lists to develop unlimited data for personalization. Each company or organization maintains information that can be individualized that may not show up in Exhibit 9-1. It all depends on the creativity of the systems designer who prepares your customer's database file, and the information that is maintained.

Not included in this list is information, such as accounts receivables, dunning levels, and other billing routines. After all, every invoice you send out is an individualized computer-printed message.

2. Exhibit 9-2 — Formats Using Individualized Computer Printing

Exhibit 9-2 lists the generally accepted formats utilized in direct mail. The personalization that will be used, along with the offer and the type of individual you are trying to reach, will dictate the type of format that will be used to individualize computer printing.

Exhibit 9-1

DATA AVAILABLE FOR INDIVIDUALIZED COMPUTER PRINTING

CONSUMER MAILING

INDIVIDUAL'S NAME	TITLE; FIRST NAME; MIDDLE NAME; SURNAME; MATURITY TITLE
(Examples)	Mr. & Mrs. John J. Smith, Jr., President (Maximum Elements) Mr. Smith (Minimum Elements)
ADDRESS — LINE 1	Apartment House, Apt. Number, Care of, etc.
ADDRESS — LINE 2	1234 Main Street — P.O. Box — Rural Route, etc.
CITY	= Mayor's Name; School Name; etc.
STATE	= Governor's Name; Senator's Name; State Flower; etc.
ZIP/POSTAGE CODE	= Population; Residents; Number Businesses; etc.
SALUTATION	Dear Mr. Smith, Dear Joe, Dear Mr. & Mrs. Smith, etc.

BUSINESS MAILING

(Additional Addressing Data Available for Business Mailing)

INDIVIDUAL BUSINESS TITLE	President; Vice President; etc.
ORGANIZATION NAME	General Electric; IBM; General Hospital; Government Agency; etc.

SUBSCRIBER PERSONALIZATION

- Date Originally Subscribed
- Subscription Source Indicates =
  - Agency Name and Address
  - Television Station Name
  - Local Boy Scouts
  - Salesman's Name
  - Sweepstakes Response
- Expiration Date
- Number of Years a Subscriber
- Telephone Number
- Credit Card Number
- Donor Name and Address
- Installment Purchaser

CONTRIBUTOR PERSONALIZATION

- Date of Last Contribution
- Amount of Last Contribution
- Total Contributions
- Number of Years a Contributor

POLICY HOLDER PERSONALIZATION

- Original Insurance Date
- Amount of Insurance
- Beneficiary's Name & Address
- Owner's Name and Address
- Amount of Premium
- Number of Years Policyholder
- Term of Policy
- Agent's Name and Address

CUSTOMER PERSONALIZATION

- Date Original Purchase
- Product Last Purchased
- Product Originally Purchased
- Category of Products Purchased
- Telephone Number
- Credit Card Number

DEPOSITORS/INVESTORS PERSONALIZATION

- Total Investment Value
- Salesman's Name
- Branch Manager's Name
- Total Number of Accounts
- Family Relationships

PROSPECTS

- ZIP Code =
  - Governor's Name
  - Senator's Name
  - Elected Local Officials
  - State Flower
  - State Bird
  - State Motto
  - City Motto
  - Population
  - Households
  - Unemployment Rates
  - County Name
  - Local School
  - College
  - Prison
- Latitude/Longitude =
  - Distance to Nearest Dealer
  - Distance to Home Office
  - Name of Closest Recruiting Station
  - Name of Closest Supplier/Salesman
  - Airfare between Two Points
  - Time Zone Differences
- Compiled Lists =
  - Husband's and Wife's Names
  - Number of Children
  - Owner or Renter
  - Apartment or House
  - Occupation
  - Telephone Number
  - Automobile Make and Model
  - Birthdate
  - Age
- Business Compiled Lists =
  - Number of Employees
  - Sic = Business Type
  - Total Billings
  - Number of Locations
- Student Lists =
  - School Name
  - Grade
  - Degree
  - Home Address
  - School Address
  - Years at School
- Professional Lists =
  - College Attended
  - Age
  - Professional Degree
  - Marital Status
  - Sex

Exhibit 9-2

FORMATS USING INDIVIDUALIZED COMPUTER PRINTING

POST CARDS Single 2-Part	Post cards from the U.S. Post Office do not come in continuous form and would be difficult to personalize on the computer. In order to meet postage savings, there are size limitations for post cards. Any information shown in Exhibit 9-1 can be inserted on the front or back of a post card.
ENVELOPES Affixed to Continuous Forms Converted after Personalization	Standard envelopes will generally not feed through a computer printer unless they are in continuous form. Any size envelope can be affixed to continuous form. Any data shown on Exhibit 9-1 can be printed on the front or the envelope, and can be printed anywhere on a flat sheet of continuous form paper. After personalization the flat piece of paper can then be converted into an envelope.
LETTERS Business Size Monarch Size Invitation Size	Any information shown in Exhibit 9-1 can be printed anywhere on the letter and on either or both sides. Single or multi-page letters can be personalized.
CATALOGS Outer Covers Inside Inserts Order Cards/Envelopes	Any information shown in Exhibit 9-1 can be printed anywhere on a catalog cover or insert. A diecut in the catalog cover will show the name and address through the window, while the inside insert carries personalization. The centerfold reply device can be personalized during the saddle stitch operation.
SELF-MAILERS	Any piece of paper up to 18" wide and 28" long can be personalized on either side. The piece of paper can then be folded into any size and mailed. These pieces do not have the special post card rate.
PROMOTION MAILINGS	These would be similar to self-mailers in the specifications, but would be folded and inserted into an envelope.
BOOKS Diet Plans Horoscopes Beauty Aids Children's Books	Any number of pages can be personalized and collated and bound into a booklet form. They could be as small as 4 pages and as long as 64 pages. In addition to the data in Exhibit 9-1, information is supplied by the customer, such as date and time of birth, height and weight, family members, pets, and is unlimited as to the amount of personalization that can be computer personalized in any format.
REPLY CARDS Orders Contributions Inquiries	The order card can be personalized with any of the information shown in Exhibit 9-2. It is then, generally, used as the vehicle to carry the letter, brochure, envelope, etc. in a promotion mailing.
MATCHED MAILINGS	Any combination of envelopes, letters, and reply cards can be personalized and collated together into a single mailing package. Personalization can be on any or all of the individual pieces in the mailing package.

Exhibit 9-3

EQUIPMENT FOR INDIVIDUALIZED COMPUTER PRINTING

IMPACT PRINTING	The computer equipment most often utilized in individualized computer printing is hardware called Impact Printers. These are mechanical devices that have type slugs, ribbons, and a platen. Vendors of impact printers are IBM; Storage Technology Corporation (Documentation Printers); Data Products; and several other smaller vendors. The mechanical limitations are generally 10 characters to the inch and 6 or 8 lines to the inch. They vary in speed from 600 lines per minute to 3,000 lines per minute. Generally speaking, any data shown on Exhibit 9-1 can be printed on the formats shown on Exhibit 9-2. Both sides of the form can be personalized, and, usually, only one type of font can be used at a time.
INK JET	There are unlimited type fonts and styles available in ink jet printing. The principal manufacturers are Mead Dijit; Response Graphics; IBM; A. B. Dick; and several other smaller vendors. Again, any data shown on Exhibit 9-1 can be imaged on the formats shown in Exhibit 9-2, except for continuous form envelopes. There are no mechanical type slugs, platens, or ribbons utilized in ink jet printing. The ink is electronically sprayed on the paper to form the message or individualized printing that is desired.
LASER PRINTING	This type of printing is the latest development for individualized computer printing. The principal manufacturers are IBM; Xerox; Sperry Univac; Data Graphics; Hewlett Packard; and several other smaller vendors. Laser printing is a type of xerography. Electrostatic images are electronically affixed to the paper and dry ink (called toner) is affixed to the paper to form a printed image. There are mechanical limitations on the size and type of paper that can be printed on in laser printing. For instance, Xerox only take 8½ by 11" sheets of paper; IBM's maximum paper length is 11"; and the inks on the letterhead must meet very critical specifications.
ELECTRONIC PRINTING	The future will be magnetic ink that will be electronically affixed to paper without the use of platens or plates. Every catalog or mailing piece can be completely personalized based on the criteria you know about your customer or prospect.

Exhibit 9-4

HISTORY OF INDIVIDUALIZED COMPUTER PRINTING CATALOGS

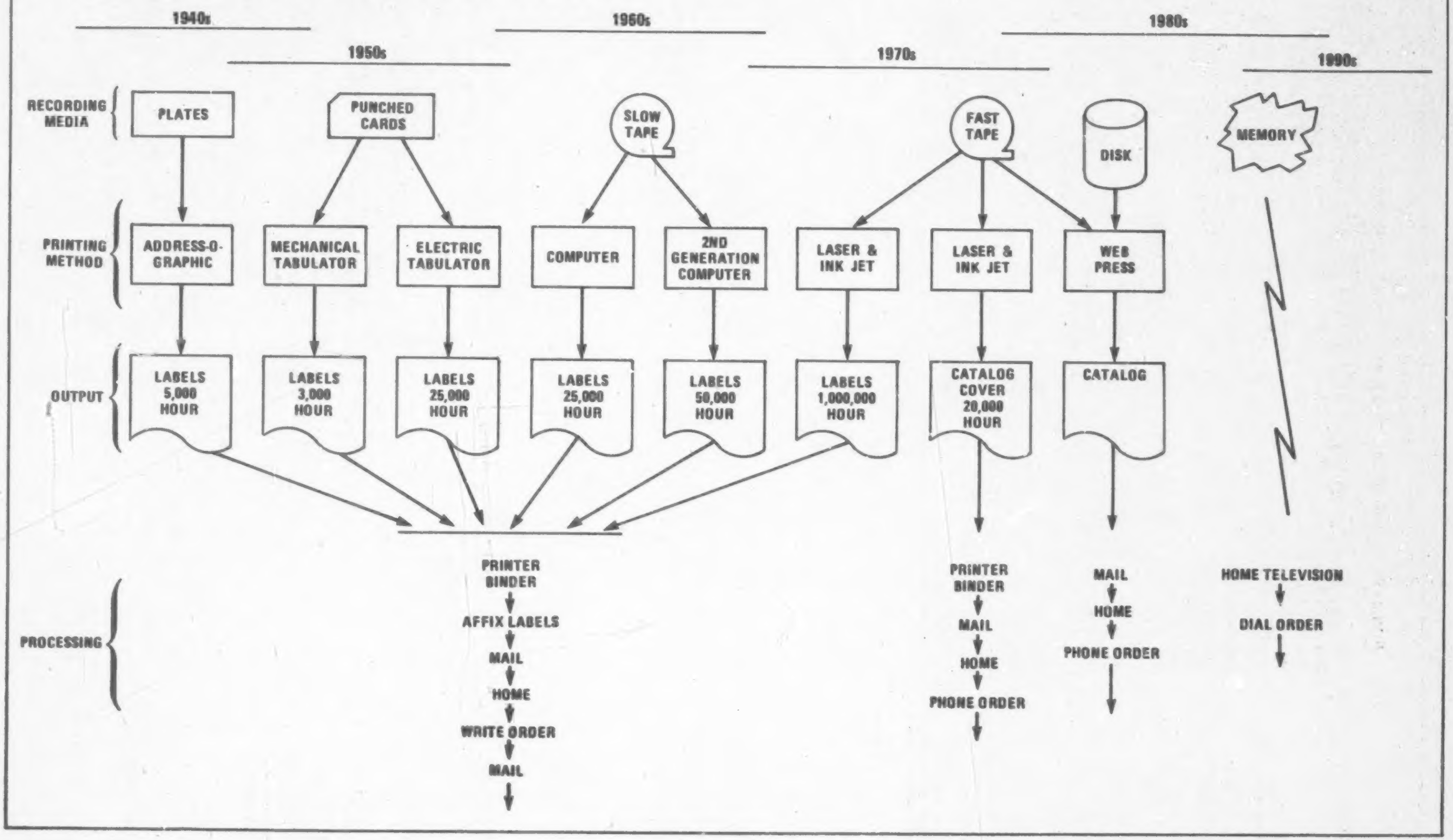

1940s
1950s
1960s
1970s
1980s
1990s
RECORDING MEDIA
PRINTING METHOD
OUTPUT
PROCESSING
PLATES
PUNCHED CARDS
SLOW TAPE
FAST TAPE
DISK
MEMORY
ADDRESS-O-GRAPHIC
MECHANICAL TABULATOR
ELECTRIC TABULATOR
COMPUTER
2ND GENERATION COMPUTER
LASER & INK JET
LASER & INK JET
WEB PRESS
LABELS 5,000 HOUR
LABELS 3,000 HOUR
LABELS 25,000 HOUR
LABELS 25,000 HOUR
LABELS 50,000 HOUR
LABELS 1,000,000 HOUR
CATALOG COVER 20,000 HOUR
CATALOG
PRINTER BINDER
AFFIX LABELS
MAIL
HOME
WRITE ORDER
MAIL
PRINTER BINDER
MAIL
HOME
PHONE ORDER
MAIL
HOME
PHONE ORDER
HOME TELEVISION
DIAL ORDER

Exhibit 9-5

DETAILS AND SPECIFICATIONS OF FORMAT & SPECIFICATIONS

Impact Printing (Computer Letters)

Characteristics	Chain/Train	Drum
Technology	Hammer strikes paper and paper hits character to be printed. Similar to typewriter method.	Hammer strikes paper and paper hits character to be printed. Similar to typewriter method.
Paper forms requirements	Any paper stock that can be used in a typewriter can be used for computer letters.	Any paper stock that can be used in a typewriter can be used for computer letters.
Size	Maximum width 18.5 inches Maximum lengh 22 inches. (Any increment up to above.)	Maximum width 20 inches. Maximum length 22 inches. (Any increment up to above.)
Paper weight	Any paper stock that can be used in a typewriter can be used for computer letters.	Any paper stock that can be used in a typewriter can be used for computer letters.
Roll/fanfold	Fanfold paper only. Fanfold depth dependent on web press size that forms printed.	Fanfold paper only. Fanfold depth dependent on web press size that forms printed.
Inks	Printing inks are not affected in computer letters.	Printing inks are not affected in computer letters.
Remoistenable glue	No limitations.	No limitations.
Type of fonts available	Limited to 6 or 7 styles manufactured by vendors. The popular one is Courier style.	Limited to 6 or 7 styles manufactured by vendors. The popular one is Courier style.
Printing speeds	From 100 to 2,000 lpm depending on model and number of characters. Average 790 lpm.	From 100 to 2,000 lpm depending on model and number of characters. Average 790 lpm.
Letters per hour	8½ x 11—2-up fill-in, 10,000. 8½ x 11—fully typed, 1,000.	8½ x 11—2-up fill-in, 10,000. 8½ x 11—fully typed, 1,000.
Computerized area of letter	Up to 15 contiguous in., Industry average 13.2 contiguous in. at 10 characters per inch.	Up to 16 contiguous in., industry average 13.2 contiguous in. at 10 characters per inch.
Ribbons and inks	Mylar or cloth ribbons in any color. Popular color is black.	Mylar or cloth ribbons in any color. Popular color is black.
On/off line to computer	Used either on-line or off-line. Printers can be in a lettershop environment.	Used either on-line or off-line. Printers can be in a lettershop environment.
Combination form & computer printing	Can only print characters on continuous forms.	Can only print characters on continuous forms.
Computer printing quality	If typewriter rated at 100, then chain/train rated at 90. Depends on operator's skill.	If typewriter rated at 100, then drum rated at 80. Depends on operator's skill.
Type of computer	On-line IBM 360/370 Series. Off-line print image tapes from any computer.	On-line or off-line to any computer.
Programming requirements	Most companies and service bureaus write own program. Programs available from software houses.	Most companies and service bureaus write own program. Programs available from software houses.
Costs	Industry average $1 per M lines (i.e. 40-line 2-up letter, $40, 5-line fill-in, $5.)	Industry average $1 per M lines. (i.e. (40-line 2-up letter, $40, 5-line fill-in, $5.)
Principal vendors	IBM	Data Products
Model Numbers	IBM 1403 Printers	
Copy limits	Depends on the skills of the writer and programmer—of course, limited to typewriter font.	Depends on the skills of the writer and programmer—of course, limited to typewriter font.
Creative limits	Depends on the skills of the writer and programmer—of course, limited to typewriter font.	Depends on the skills of the writer and programmer—of course, limited to typewriter font.

Exhibit 9-6

NON-IMPACT PRINTING (ELECTRONIC LETTERS)

Characteristics	Ink Jet	Electrophotographic
Technology	Wet ink is sprayed under electronic control to form characters or images on paper.	Dry ink transferred to paper electronically and bonded by 400° Fahrenheit with 40 lbs. pressure.
Paper forms requirements	No paper stock limitations.	Limited types of paper stock. Continuous form bond recommended. Coated paper, adhesives, and paper containing plastic not recommended.
Size	No maximums—depends on web press cylinder sizes. (Up to 38 inch repeat.)	Maximum width 14⅞ inches (Itel 15⅝ inches). Maximum length 11 inches (Itel 14 inches). (Xerox 8½ x 11 inches.)
Paper weight	No limitations.	From 15 to 24 lbs. and thickness .06 inches. (Itel 15 to 27 lbs.)
Roll/fanfold	Roll or fanfolded paper. Prefer roll paper.	Fanfold paper only. Fanfolded at 3½ in., 5½ in., 7 in., 8½ in., and 11 in. (Itel variable by 1/12 in. within minimum 3½ in. to maximum 14 inches.
Inks	Printing inks are not affected in ink jet letters.	Printing inks affected by 400° Fahrenheit heat. Inks must be dried before using. Oxidative inks are recommended by the equipment manufacturers.
Remoistenable glue	No limitations.	Special glue that will not melt at 400° Fahrenheit.
Type of fonts available	Mead Dijit®—hundreds of fonts, see their manual. In addition Response Graphics (A. B. Dick System adaptation)—one font only.	Hundreds available—see individual service bureau or software house—or design your own.
Printing speeds	Up to 48,000 feet per hour. (800 feet per minute)	Up to 9,200 feet per hour. (10,036—11 inch forms/hour). (Itel 8,750 feet per hour).
Letters per hour	8½ x 11—fully typed, 52,363 per hour.	8½ x 11—fully typed, 10,000 per hour. Monarch size with envelope, (2-up), 10,000/hour.
Computerized area of letter	Mead Dijit® 5.12, 8 or 10.67 inches. Response Graphics 15 lines of 30 characters anywhere on page on either side.	Up to 13.6 contiguous inches. Can only print on one side.
Ribbons and inks	Black ink only for Mead Dijit®. Various colors for Response Graphics.	Black ink only.
On/off line to computer	Off-line only. Print image tapes must be developed from the computer.	On-line or off-line. Only available on-line to IBM 370 series computers.
Combination form & computer printing	Mead Dijit® can only image paper. Response Graphics can image and print four color process die cut and fold in one operation.	Has the ability to print forms/letterheads at the same time it is printing copy.
Computer printing quality	If typewriter is 100, Mead Dijit® is 80. If typewriter is 100, Response Graphics is 60.	If typewriter is 100, IBM 3800 is 90. If typewriter is 100, Xerox is 100.
Type of computer	Any type of computer can be used to prepare print image tapes.	Must be on-line IBM 370 series. Off-line tapes can be prepared by any type of computer.
Programming requirements	Mead Dijit® supplies the software program to create print image tapes. Response Graphics has no software programs.	IBM supplies limited software programs. Other programs available from software houses.
Costs	Cost about $10 per thousand 8½ x 11 letters with no limit to the number of characters that can be printed.	Cost about $10 per thousand 7 x 11 letters (2-up) with no limit to the number of characters that can be printed.
Principal vendors	Mead Dijit® and Response Graphics.	IBM and Itel.
Model Numbers	Models based on ink bar.	IBM 3800; ITEL 7800; XEROX 1200
Copy limits	Depends on the skills of the writer and programmer. Mead Dijit® limited to 5.12, 8, or 10.67 in. of variable horizontal copy space but by rotating form, limitations are eliminated.	Depends on the skills of the writer and programmer. Limited to 13.6 inches and font can be intermixed any place on page.
Creative limits	Depends on the skills of the writer and programmer. Mead Dijit® limited to either 5.12, 8, or 10.67 inches of variable copy space. But, rotating form eliminates limitations.	Depends on the skills of the writer and programmer. Limited to 13.6 inches and font can be intermixed any place on page.

3. Exhibit 9-3 — Equipment for Individualized Computer Printing

The principal equipment being utilized today for personalizing computer printing is listed in Exhibit 9-3. It is intended as a guide of what can be done.

Specific details for format and for equipment for individualized computer printing are covered in Exhibits 9-5 and 9-6. This information was furnished by DMA's Information Center.

4. Exhibit 9-4 — History of Individualized Computer Printing Catalogs

Recording Media. Prior to the 1950s, all names and addresses and personalized information were recorded on addressograph or speedomat plates. During this period, it was impossible to personalize direct mail because computers were not available.

During the 1950s, the recording media was transferred to punched cards. There was still only limited information available for personalizing direct mail.

In the following decade, punched cards gave way to magnetic tape where more information was maintained on each customer and prospect. Systems designers in the 1960s did not anticipate the effect personalization would have in increasing response, and, therefore, they did not capture this information in their original systems design.

In the 1970s systems were redesigned, databases were beginning to be established, and the ability to match files of magnetic tape together increased the amount of personalization that could be captured and utilized for individualizing computer printing.

Now, during the 1980s information is being transferred from tape to disk where unlimited personalized information may be captured and reused in personalizing computer printing.

Who knows what the 1990s will offer?

Printing Methods. Computer equipment has moved from printing 5,000 labels per hour to 1,000,000 labels per hour. Labels in the 1980s are giving way to laser and ink jet-addressing the catalogs directly—at the same time, the *order card* or *envelope* in the centerfold can also be individualized. The entire *catalog cover* is personalized. References are made to previous purchases and reasons to buy matching items again.

Output. The output from the 1940s to the 1980s has jumped from printing labels to producing catalogs on laser disks that can be played on your home television set, and actual demonstrations of the product you wish to purchase can be viewed.

Processing. The method used during the 1940s, '50s, '60s, and '70s was to send a label to the bindery where it would be affixed to the catalog, and then sent through the mail to be delivered to the home. Currently, the technique is to eliminate the labels and address the catalog cover as it passes through the web press and, at the same time, to individualize information on or in the catalog.

Other Formats. What is true of the sophisticated personalization of catalog is also true in other forms of direct mail personalization—whether it be selling subscriptions, raising contributions, or selling insurance.

Section III — Advanced Print, Production and Distribution

by John R. Walter

R.R. Donnelley & Sons Company

From the laboratory, to the classroom to numerous areas within the business and industrial sector, the computer is playing an increasingly vital role in the social evolution and economic development of the world, as we know it today. Of the numerous variations in application, the computer performs six basic tasks which can be categorized as follows:

- Information Processing
- Communication
- Calculation
- Customer Service
- Education
- Accounting

Entire industries have been born with the advent of computerization, while, at the same time, countless industries and fields have been revolutionized through the advancement of this technology. To name just a few: insurance, education, medicine, agriculture, engineering, and banking have profited from this revolution. Certainly, the direct marketing industry must acknowledge the importance of the computer as perhaps the single biggest factor in its strong growth and greater sophistication.

As in the direct marketing industry, today's computer has contributed to innovation and technical development within the printing industry as well. There have been many advancements and refinements in recent years within this industry, and, in the following pages, some of the more recent and exciting of these technical developments will be reported on.

Advanced Print

Offset lithography, rotogravure and letterpress are the three major printing processes in commercial printing. Even though letterpress is the oldest and, historically, the most flexible printing process, it has been in declining use for the past decade. In 1973, letterpress represented 15 percent of total catalog production. Today, it represents one or two percent of total catalog production. On the other hand, offset lithography and rotogravure have grown in use in the past decade and have experienced many new technological advances.

1. Plates

Offset plates have gone through several developmental stages. Originally, plates were made from a mixture of different metals. Plates were typically supplied to the printer without a light-sensitive photographic coating. The printer, who applied the coating to the plates, used a process that was cumbersome and inexact.

Today, pre-coated plates are received by the printer and are ready to use. Automatic plate developers have eliminated all handwork, thus reducing the overall time required to develop the plates.

Laser platemaking is an emerging plate technology. Newspapers, such as *Barron's, The Chicago Tribune*, and *The Wall Street Journal*, have been using laser platemaking for one-color reproduction for eight years. Recently, there have been new developments in four-color laser platemaking. In four-color laser platemaking, a scanning device is used to generate digital information from artwork. This digital information drives a controlled laser beam which strikes the photo-sensitive plate placed on a flat surface. The laser beam exposes the plate's light sensitive photographic coating, thereby producing the image for each color on the plate.

The laser platemaking system allows the printer to utilize digital page make-up and retouching in pre-press operations without film. This information is transmitted onto magnetic tapes and disks which drive the laser platemaker. It also allows the printer to transmit digitial information via land lines or satellite to one or more printing locations around the country or the world. Through the elimination of film, consistency and efficiency gains are anticipated over time. One major shortcoming of the system is the quality of four-color reproduction. Presently, laser manufactured halftone dots have a tendency to print on top of one another, due to the vibration of the system, thereby making quality less than acceptable.

2. Cylinders (Rotogravure)

Originally, the image transferred to the copper plated gravure cylinder was made by the use of carbon tissue or roto film, a photosensitive transfer medium. The medium was positioned on the cylinder and an etching solution (ferric chloride) was poured over the tissue or film. This etching process created cells which represented the printed image.

The next development in cylinder making was an electromechanical engraving unit known as the helio-Klischograph. Using a continuous tone piece of film placed on a scanning drum, eight scanning heads read continuous tone information. This information directs a diamond stylus cutting head to produce cells which represent the image to be printed.

An alternative engraving system presently under development is halftone gravure (H-G). Unlike the conventional engraving system which uses scanned continuous-tone film, the H-G system uses specially prepared halftone separations to engrave cylinders. Separations are mounted and scanned on a helio-Klischograph drum without the use of reflective material. The halftone information is then converted into a continuous-tone format for engraving gravure cylinders.

Some of the claimed benefits of the H-G system are:

- Detail and resolution are superior to the results obtained from continuous-tone film, since halftone film is more accurate and consistent.
- Cromalin (dry toner) proofs can be utilized to reduce total schedules and guide corrections to halftone film, thereby reducing costly corrections on the cylinder itself.
- Savings in ink consumption.

Even though these benefits are impressive, there have been some shortcomings in recent testing:

- Type and hard line lose edge definition and detail, making the quality unacceptable.
- Mounted halftone separations must have a perfect seal to assure correct density readings.

In spite of these deficiencies, the H-G system shows good potential for the future by reducing overall lead time in pre-press operations and producing quality four-color reproduction.

New breakthroughs have also been made in laser gravure. Similar to the helio-Klischograph, the scanner in laser gravure scans either film or reads digital information and transmits this information to the laser. The laser itself is a high-powered carbon dioxide laser which is modulated to produce deep or shallow cells based on input data. In the past, the laser beam would cut into the copper plated cylinders, requiring an enormous amount of energy. A recently developed special black plastic coating has been used instead of a copper shell on the cylinder. Engraving the cylinder via laser will now consume much less energy and absorb the beam instead of reflecting it for more accurate cell generation. After the black plastic is cut, the cylinder is nickel plated in an electronic plating unit.

Faster turnaround time is the major driving force in the development of this technology. The scanning and cutting head in laser gravure is faster than the scanning heads on the helio-Klischograph. Presently, the system being tested has only one scanning head (as opposed to eight on the helio-Klischograph), affording greater reliability on the basis of less mechanical and electronic components.

Various printers have developed the capability to produce gravure printing cylinders directly from digital data prepared by color electronic pre-press systems. This capability eliminates the need for intermediate films and allows for the precise control of color reproduction which is inherent in the electronic systems.

Another by-product of dealing with digital data throughout the process is the ability to utilize high speed communications to move reproduction information to remote locations. Whether using a domestic satellite network or high speed land lines, these systems provide for the fast transmission of high quality color reproduction data between the multiple plant locations.

Production

1. Pressroom Production

On a press there are many variables that must be constantly monitored and adjusted. Originally, on simple presses, adjustments were made manually. As presses became more complex and were able to run at higher speeds, the capability to quickly make more adjustments became necessary. The use of electrical, pneumatic and hydraulic driven press controls helped to satisfy this need.

Currently, computerized press controls are being developed to continually monitor press conditions. The computer can locate, diagnose, and automatically correct a problem through a closed-loop control system. The problem is displayed on a CRT terminal instead of the conventional "flashing red light" system. The CRT displays an in-depth analysis of the press problem. The press controls automatically regulate vent temperature, web tension, and color register. These controls help reduce makeready and running waste, improve quality consistency, and enable the press to hold color register while running at faster speeds.

Another development that helps to speed makereadies is a sophisticated inking system called color preset. Color preset is a new technology which enables the printer to scan film or plates to determine ink fountain settings on the web offset press. The preset system rapidly balances color during makeready and then requires only minor adjustments. Color levels should reach 65-85 percent of the desired color OK levels after scanning and setting of ink fountains.

Two inking systems have recently been introduced to the market. One system operates from a floppy disk which stores scanned information in its memory. The other system uses a memory chip to record scanned information. The memory vehicles are inserted into remote inking consoles and set inking levels. Fountain settings can be recorded for future reprints or lifting purposes.

In addition to closed loop feedback and color preset, the computer is beginning to play a role at the folding end of the press. When repetitive or similar jobs are run, the computer memory (via an on-board microprocessor) can store information and correspond with the press, allowing proper positioning of the folder and adjustments to the folding unit. Because this information is stored electronically, when going back to press with duplicate or similar press forms, the folding unit can be re-positioned according to the stored information. This auto-positioning decreases makeready time, because the folder is positioned in the proper configuration to insure a more accurate fold.

2. Ink Technology

There have been new developments in conventional gravure and web offset ink chemistry. Changes in the chemical structure and the application of inks have been made to address the need for higher quality. These changes have also helped lower consumption rates, thereby increasing mileage and reducing the use of energy.

The future of inks lies in customization. Inks are being custom-designed to suit specific presses and paper characteristics. Custom-designed ink should enable presses to run more efficiently. There are fewer press wash-ups because of reduced linting and controlled ink tack. A good example of this approach is web offset presses that print on uncoated stock. Softer inks have been developed with specific uncoated stocks in mind to reduce picking and piling problems. This problem has not been totally eliminated. However, it has been controlled so that it has become economical for press production.

3. Bindery

Traditionally, transporting the printed product from the pressroom to the bindery has been accomplished by using lift trucks. Today, computer-controlled trains, which travel a pre-set path following a wire embedded in the floor, move the printed product continuously from the pressroom to the bindery. With reduced manning and this new automation, in-process handling of the printed product is more efficient and most cost effective.

When a multi-page printed product is to be bound together, two basic binding styles are used: saddlewire and perfect (patent or square backed) binding. In saddlewire binding, signatures (a folded, printed piece) are dropped on a moving chain so that the signature opens and the fold rests on the chain. These signatures are then bound together by driving a stitch (staple) through the spine of the book. In perfect binding, signatures are laid one on top of the other on a moving conveyor. The signatures are glued together, and a cover is attached with the application of an additional adhesive.

Saddlewire and perfect binding have both benefited from the development of stream feeders and three-around gathering. In the past, signatures were placed into the bindery equipment by hand. Today, stream feeders allow a "stream" of signatures to be fed into the "packer box" on a bindery line, thereby reducing the number of people needed to load the packer boxes. This stream of signatures comes from the pressroom in the form of a "log" (a number of signatures bound into a bundle and ready for use in the bindery). The reduced manning can be equated to an increase in bindery efficiency.

The basic device that limits the speed of the bindery line is the gathering drum. The gathering-drum takes the signatures from the packer box and drops them on a moving chain (saddlewire binding) or conveyor (perfect binding). Typical gathering drums have only two sets of gathering grippers per drum. Because the drum can only rotate at a certain speed, the total output of the bindery line is limited by the speed of the drum. By increasing the size of the drum, three sets of gathering grippers can be used. This allows for a theoretical increase in speed of 33 percent for the bindery line, thereby reducing binding cost and increasing binding efficiencies.

In the bindery, the computer is being used to assist in the production of customized catalogs and magazines. When selective binding of catalogs is used, the computer selects specific signatures on the binding line that are demographically and psychographically targeted to a particular type of customer. Selective binding can be used on one binding line to allow multiple versions to be produced at the same time. This reduces binding costs, while facilitating the production of a greater number of customized versions than previously economically feasible. Maximization of postal discounts is also possible by running multiple versions in one ZIP code stream.

4. Mailing Labels

Paper labels were the first way of putting address information on a mailed piece. Labels were printed one at a time using a zinc or aluminum addressograph plate, which contained the address information. This process was both slow and inefficient. With the advent of the high-speed computer-driven printer, the ability to print four and five labels at a time reduced the time required to print the label and increased overall efficiency. Pressure-sensitive labels, which the customer could peel off and place on the order blank, allowed the direct marketer to code his lists and determine which lists gave him a better response, while at the same time reducing incorrect address information supplied by the customer. When using pressure-sensitive labels, a major drawback for this form of addressing is that labels must be affixed to the mailed piece, a factor which usually slows down the bindery line.

5. Ink Jet

The marriage of ink jet printing and computer technology has made ink jet addressing possible. Ink jet printing equipment uses a printing head which, under pressure, shoots tiny droplets of ink at very high speed into an electro-magnetic field. This field is controlled by a computer which directs the ink droplets into a pattern forming the characters that make up the address information. This addressing is usually done on the bindery line at normal bindery speeds.

The benefits of computer assisted ink jet addressing include the following:

- Simultaneous addressing of the covers and single or double order blanks
- Coding of order blanks to determine list origin
- Personalized messages on the cover and/or order blank
- Multiple type fonts (up to 20)
- Elimination of the loss of names due to label spoilage, thereby assuring virtually 100 percent mailing of every name on the mailing list tape

6. Wrapping and Enveloping

The purpose of wrapping or enveloping a product is to protect the product, while allowing for additional information to be included on the wrapping. With a flat wrapper, protective Kraft-type paper is wrapped around the product, a label affixed, and an optional message imprinted on the wrapper. Numerous magazines and some catalogs have been flat wrapped in this manner to avoid damage.

Phillipsburg-type inserters are machines that insert promotional literature, mailers, or catalogs into a paper envelope. The benefit in using this machine is that it puts all literature into one package or envelope. The major drawbacks are that the paper envelope does not allow the customer to see the product, and that the enveloping and inserting add extra costs.

Plastic enveloping or bagging was introduced to allow the customer to see the product through the envelope. This in-line process can also place a document on top of the product or insert into the product after the piece is bound. In addition, several different mail pieces to be mailed to the same location can be placed together in the same plastic envelope, thereby enhancing postal discounts.

7. Storage and Retrieval Systems

Automatic storage and retrieval systems were originally designed to handle steel products and manufactured parts. A computer system calls for the products stored in a coded rack matrix (on a skid or pallet) and uses an automated crane to remove the pallet from storage and take it to the shipping area. These automatic storage and retrieval systems assist in hitting mailing "windows" to the United States Postal System and help in the accurate scheduling of drop shipments to other shippers.

Distribution

1. USPS—Program and Incentive Development

The USPS has developed many programs over the years that have assisted the direct marketer in using the mail to distribute their catalogs or mail-advertising piece. These programs and incentives have essentially relieved the USPS from the responsibility of performing many mail-processing procedures, while shifting the responsibility to the mailer.

On January 1, 1967, the USPS required all bulk mailers to sort mail by ZIP Code. In 1978, three tier (carrier route, five digit, residual) sortation was offered to second class mailers. In 1979, carrier route discounts were offered to third class mailers, followed by a 5 digit discount in 1980. The presort program was designed to increase the accuracy of delivery and reduce delivery spans. These work sharing incentives have been offered as a way of generating interest in compliance, while offering a savings in postal rates to direct marketers.

Postal verification was instituted on July 1, 1982, by the USPS to insure compliance with regulations covering mail preparation. In February 1982, samples indicated that 95 percent of all industry bulk mail was incorrectly prepared. Average error rates per job were running in excess of 73 percent. As of January 1983, under full program sampling, 30 percent of all mail contained error in excess of 10 percent, with an average error rate per job of 13 percent. As the program continues, some mailers are reporting mailings with error rates below one percent.

Postal verification insures that mailers, who accurately prepare mail, obtain discounts for their customers and that mailers, who do not accurately prepare the mail, are penalized.

New USPS programs under development include:

- Palletized mail—mail is put on pallets, reducing handling by allowing mail to be machine processed, and, thereby, producing a cleaner delivered product.

- Intra-SCF zoned 3rd Class mail—(SCF is a sectional center where the USPS sorts mail to go to several smaller postal units within the SCF's jurisdiction). Third Class mail may be zoned, allowing direct marketers to have their product shipped to multiple entry points for increased postal savings.
- ZIP + 4—the addition of 4 digits to the existing ZIP Code allows the USPS to target mail delivery to neighborhood blocks, office buildings, and floors. Currently ZIP + 4 applies only to first class, with possible introduction to second, third and fourth class at a later date.

Conclusion

Technical development and refinement within the printing industry, augmented by the use of computers, has brought to the marketplace a greater degree of sophistication and increased productivity. Specifically, the adaptation of new technology has decreased manning, reduced waste, and increased overall efficiencies within all areas of print production.

Research and development continue at a rapid pace, and further technical innovation in the varied areas of print production will directly relate to the currently rapid developments in computer technology.

The 1970s and 1980s can be clearly described as a revolutionary period within the printing industry. This relatively short period has witnessed major breakthroughs in the application of digital technology to numerous areas within this sector.

An acceleration in research and technical development is anticipated in the late 1980s and well into the 1990s, and the future promises even greater innovation and further evolution within this industry.

10

Creativity — Then & Now*

by Jim Kobs
Kobs & Brady Advertising, Inc.
Author: Profitable Direct Marketing

Some years ago, this writer did a series of speeches for the Direct Marketing Educational Foundation's Collegiate Institutes on the subject of creativity. The concern was that the young people in the audience wouldn't consider a direct marketing career, because they had this image of mail-order advertising being an endless collection of old-fashioned, unattractive, hard-sell ads.

The purpose was to show them things had changed, but, at the same time, to demonstrate that those old-time ads were a great heritage for today's direct-response creative people—and we could all learn a lot by studying them.

So, a dozen pairs of old-time ads and mailings were put together, carefully matched with their modern counterparts. A 1915 ad for a gardening catalog versus a current one. Early book and record club ads versus more recent ads. A page from an old Sears catalog compared with one of today's fashionable catalogs. A hand-personalized letter versus one personalized by computer. Even a current correspondence school ad that had a headline amazingly close to one that was successful 60 years ago.

While the look of today's direct-response advertising has changed dramatically, many of the principles have not. So let's take a look at direct marketing creativity, from old-time ads to today's similarities and differences—and what you should know about the importance of the offer . . . the variety of available formats . . . specialized types of creative . . . and testing.

Classic Direct-Response Ads

Just thinking about old-time ads stirs up some fond memories. As a kid, you could hardly pick up a comic book without seeing a colorful ad for muscles-by-mail from Charles Atlas. In comic-strip form you'd read about a puny kid who lost his best girl to some bully on the beach, but with the help of the Atlas course, he'd return—now muscle-bound—and win her back with one blow. The payoff was a photo of Charles Atlas himself, staring right at you, with the caption: "This 97-lb. weakling became the world's most perfectly developed man." And hundreds of thousands of young men responded.

But mail order ads go back much further than this, well into the 19th century. It's been roughly a hundred years since astute mail-order advertisers started "keying" their ads. While inconspicuous to the reader, they would make minor variations in the firm's address—or use special box numbers, post office drawers, or departments—to track the results of different ads or publications.

Shortly before the turn of the century, an adman named Ralph Tilton originated something that seems to have been with us forever: the coupon—a device in the corner of an ad, set off by a dotted line border, to remind the reader to include his name and address. Today, it's become a visual signal to the reader that this ad is asking him or her to do something right now.

As mail order became more popular, other techniques were developed to measure advertising effectiveness: for example, "split runs," originated in the Twenties, to allow advertisers to test a pair of ads against each other in the same edition of a magazine or newspaper—thus taking away the timing variable, that existed previously when an advertiser was forced to run one ad the first month and another the next.

The 100 Greatest Advertisements. Perhaps the best way to gauge the impact that mail order had on early advertising is by looking at Julian Watkins' well-known book, *The 100 Greatest Advertisements*. The ads were chosen with the help of many of the country's leading advertising executives, and the book was first published in 1949.

An even dozen were direct-response ads. And another half-dozen were package goods ads that had a direct-response offer of some type, such as a product sample. So, a total of 18 of the 100 great ads would be classified as direct marketing today—surely, a much larger percentage than could be expected considering the limited volume of direct response advertising being done at the time.

The chosen mail-order ads include many classics. Such as John Caples' often-imitated "They Laughed When I Sat Down At the Piano." It's a typical long-copy ad, containing over 1,000 words—all carefully crafted into sentences and paragraphs that tell a triumphant story of a young man who learned to play without a teacher. And Caples himself was a young man when he wrote it—a 25-year-old junior writer. (See Exhibit 10-1)

A little-known sidelight is that the advertiser in this case was U.S. School of Music, a correspondence school that continued to sell music lessons by mail for over 50 years. A number of other advertisers, who had their direct-response ads chosen for this select group, are still around —Harry and David's fruit-by-mail ad from *Fortune* Magazine; an offer of classic books from Doubleday; and, the promise of making "real money" from International Correspondence Schools.

Even the Sears catalog is included. Because, as Julian Watkins said: "No book on great copy would be complete

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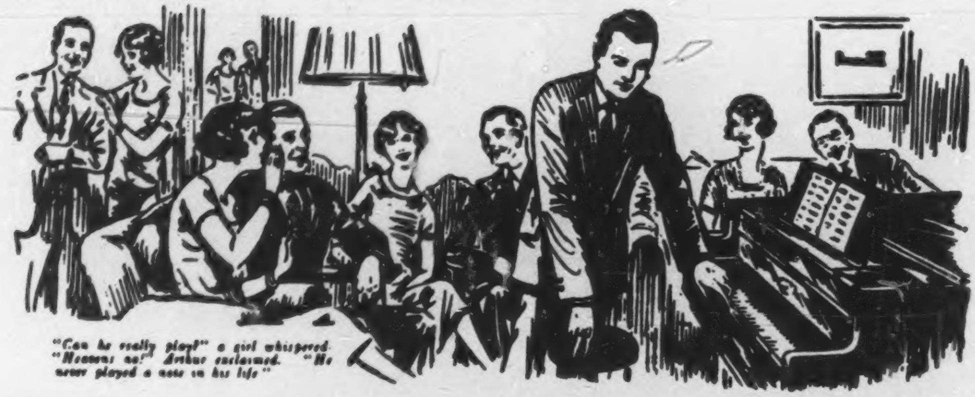
*Copyright © 1979 & 1983 by Jim Kobs.

Exhibit 10-1



"Can he really play?" a girl whispered. "Heavens no!" Arthur exclaimed. "He never played a note in his life."

They Laughed When I Sat Down At the Piano But When I Started to Play!—

ARTHUR had just played "The Rosary." The room rang with applause. I decided that this would be a dramatic moment for me to make my debut. To the amazement of all my friends, I strode confidently over to the piano and sat down.

"Jack is up to his old tricks," somebody chuckled. The crowd laughed. They were all certain that I couldn't play a single note.

"Can he really play?" I heard a girl whisper to Arthur.

"Heavens, no!" Arthur exclaimed. "He never played a note in all his life. . . But just you watch him. This is going to be good."

I decided to make the most of the situation. With mock dignity I drew out a silk handkerchief and lightly dusted off the piano keys. Then I rose and gave the revolving piano stool a quarter of a turn, just as I had seen an imitator of Paderewski do in a vaudeville sketch.

"What do you think of his execution?" called a voice from the rear.

"We're in favor of it!" came back the answer, and the crowd rocked with laughter.

Then I Started to Play

Instantly a tense silence fell on the guests. The laughter died on their lips as if by magic. I played through the first few bars of Beethoven's immortal Moonlight Sonata. I heard gasps of amazement. My friends sat breathless — spellbound!

I played on and as I played I forgot the people around me. I forgot the hour, the place, the breathless listeners. The little world I lived in seemed to fade — seemed to grow dim—unreal. Only the music was real. Only the music and visions it brought me. Visions as beautiful and as changing as the wind blown clouds and drifting moonlight that long ago inspired the master composer. It seemed as if the master musician himself were speaking to me—speaking through the medium of music—not in words but in chords. Not in sentences but in exquisite melodies!

A Complete Triumph!

As the last notes of the Moonlight Sonata died away, the room resounded with a sudden roar of applause. I found myself surrounded by excited faces. How my friends carried on! Men shook my hand — wildly congratulated me — pounded me on the back in their enthusiasm! Everybody was exclaiming with delight—plying me with rapid questions. . . . "Jack! Why didn't you tell us you could play like that?" . . . "Where *did* you learn?"—"How long have you studied?"—"Who *was* your teacher?"

"I have never even *seen* my teacher," I replied. "And just a short while ago I couldn't play a note."

"Quit your kidding," laughed Arthur, himself an accomplished pianist. "You've been studying for years. I can tell."

"I have been studying only a short while," I insisted. "I decided to keep it a secret so that I could surprise all you folks."

Then I told them the whole story.

"Have you ever heard of the U. S. School of Music?" I asked.

A few of my friends nodded. "That's a correspondence school, isn't it?" they exclaimed.

"Exactly," I replied. "They have a new simplified method that can teach you to play any instrument by mail in just a few months."

How I Learned to Play Without a Teacher

And then I explained how for years I had longed to play the piano.

"A few months ago," I continued, "I saw an interesting ad for the U. S. School of Music—a new method of learning to play which only cost a few cents a day! The ad told how a woman had mastered the piano in her spare time at home—and without *a teacher!* Best of all, the wonderful new method she used, required no laborious scales — no heartless exercises — no tiresome practising. It sounded so convincing that I filled out the coupon requesting the Free Demonstration Lesson.

"The free book arrived promptly and I started in that very night to study the Demonstration Lesson. I was amazed to see how easy it was to play this new way. Then I sent for the course.

"When the course arrived I found it was just as the ad said — as easy as A.B.C.! And, as the lessons continued they got easier and easier. Before I knew it I was playing all the pieces I liked best. Nothing stopped me. I could play ballads or classical numbers or jazz, all with equal ease! And I never did have any special talent for music!"

● ● ● ●

Pick Your Instrument

- Piano
- Organ
- Violin
- Drums and Traps
- Banjo
- Tenor Banjo
- Mandolin
- Clarinet
- Flute
- Saxophone
- 'Cello
- Harmony and Composition
- Sight Singing
- Ukulele
- Guitar
- Hawaiian Steel Guitar
- Harp
- Cornet
- Piccolo
- Trombone
- Voice and Speech Culture
- Automatic Finger Control
- Piano Accordion

Play Any Instrument

You too, can now *teach yourself* to be an accomplished musician—right at home—in half the usual time. You can't go wrong with this simple new method which has already shown 350,000 people how to play their favorite instruments. Forget that old-fashioned idea that you need special "talent." Just read the list of instruments in the panel, decide which one you want to play and the U. S. School will do the rest. And bear in mind no matter which instrument you choose, the cost in each case will be the same—just a few cents a day. No matter whether you are a mere beginner or already a good performer, you will be interested in learning about this new and wonderful method.

Send for Our Free Booklet and Demonstration Lesson

Thousands of successful students never dreamed they possessed musical ability until it was revealed to them by a remarkable "Musical Ability Test" which we send entirely without cost with our interesting free booklet.

If you are in earnest about wanting to play your favorite instrument—if you really want to gain happiness and increase your popularity—send at once for the free booklet and Demonstration Lesson. No cost — no obligation. Right now we are making a Special offer for a limited number of new students. Sign and send the convenient coupon now — before it's too late to gain the benefits of this offer. Instruments supplied when needed, cash or credit. **U. S. School of Music, 1031 Brunswick Bldg., New York City.**

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U. S. School of Music,
1031 Brunswick Bldg., New York City.

Please send me your free book, "Music Lessons in Your Own Home", with introduction by Dr. Frank Crane, Demonstration Lesson and particulars of your Special Offer. I am interested in the following course:

....

Have you above instrument? ....

Name ....
(Please write plainly)

Address ....

City ....State..............

without this most famous of all salesmen in print! More than a thousand pages of the strongest selling copy ever written—any page, any item, any year. Study the style! Read it often."

Other than the Sears catalog, direct mail is neglected in Watkins' book. In *Profitable Direct Marketing*, included are a number of classic mailings: Such as the Fingerhut seat cover mailing that literally built the business, and the Haband package offering men's ties, that paved the way for a $50-million-plus mail order clothing store. Like the classic direct-response ads, these mailings are both worthy of study.

Today's Similarities and Differences

Before we shed a nostalgic tear for those old-time ads and mailings, let's examine the legacy they've left us—a lot of basic principles and techniques that are still widely used every day in the direct-marketing field.

The first is long copy. Direct-response ads and mailings tend to be copy-heavy. It usually takes a lot of copy to get someone to order something, sight-unseen, by mail. One of the principles old-time mail order practitioners learned was the more you tell, the more you sell.

In any discussion of copy length, one of the analogies that can be used is that of selling in print versus a live salesman. If you only give a salesperson five minutes for his presentation, he can only explain a few benefits to overcome your natural sales resistance. But if you give him 15 or 20 minutes, he should be able to explain three or four times as many benefits. The same is true for long copy versus short copy. People *will* read long copy, if it is well-written. You hold their interest by talking about the reader's needs and the benefits you offer.

Speaking of needs, that's another thing that hasn't changed. Basic human desires don't change much. As Julian Watkins put it in his book: "Like ole man river, man's desire to get ahead, to earn more money, to be admired, to get the gal, and to keep in the running, is as changeless as the orbit of the earth."

Another similarity with old-time ads and mailings is the need to make it easy to respond. In fact, it's a basic tenet of our business that the easier you make it for someone to take the action you want, the more likely he or she will do so. That's why the coupon was invented. That's why a rectangular coupon in the corner of an ad works better—it's easier to clip out than one stuck in the middle of an ad or in the shape or some exotic object. Only when an art director hasn't learned this lesson, do you see coupons in the shape of a sailboat or banana!

But there are some important differences today, too. While the copywriter has long been the key member of the direct-response creative team, art directors are rapidly gaining in importance. Graphics have been upgraded dramatically, and we see a growing trend toward more four-color printing.

A lot of this can be attributed to the large, Blue Chip companies that have gotten involved in direct marketing in a big way over the last 10 to 15 years. These are firms that have traditionally spent a lot of money on art and photography for their general advertising. In fact, they have graphic-standards manuals to make sure all of their advertising and communication efforts nurture a carefully-chosen image. Then, the decision is made to enter direct marketing—probably to set up a separate profit center. However, even if this new profit center is very successful, it will represent only a small portion of their total sales and profits. Therefore, it is only natural that they don't want their direct-response ads or mailings to spoil that carefully-built image.

As these Blue-Chippers spent more on graphics to *maintain* their image, two other things happened. First, they helped upgrade the whole image of direct marketing with the consumer and business-person. Second, the long-time mail-order advertisers saw what was happening—that consumers were responding to better-looking ads and mailings, as a result, their own graphics have, also, been upgraded.

Still, another difference in today's direct marketing is that the copywriter's role has become more demanding. To be fair, it was never easy. As Julian Watkins pointed out years ago, "Advertising men acknowledge the writing of good mail-order advertising copy as one of the highest forms of the art .... and they will quickly admit that more well-rounded, seasoned and successful writers of advertising have come from the ranks of mail-order copywriters than from any other field."

The demands on the copywriter have grown as the variety of products and services being promoted via direct marketing has spiralled. Today's direct response writer—particularly one working for an ad agency or a client with a diversity of products—must be able to vary his copy style and assume many different roles, much as a good actor changes his voice and mannerisms to play different roles. As one of the speakers at a recent Chicago Direct Marketing Day stated:

> *Direct-response advertising is a very personal advertising technique, the success of which is dependent upon the contact between your chosen market and your chosen writer. For the direct-response writer is your salesman. He or she must establish contact with your market and win their trust. He or she must assume a personality compatible with that audience .... the writer must so totally infuse it into every line of copy that the trusting public will accept him or her as one of their own and turn over their hard-earned cash for goods and services they have never personally inspected.*

The Importance of the Offer

One thing that sets apart a direct-response ad or mailing from general advertising is that the former always includes an offer. Creative people in general advertising don't understand the concept of the offer—or how to structure a good one.

Numerous examples of this have been seen over the years. Recently, one was an ad for a well-known manufacturer of office copiers. Above the coupon was some vague action copy that instructed the reader to mail it today. All the coupon, itself, contained was the address you were supposed to send it to and room to fill in your own name and address. You had no idea if, by sending the coupon, you were requesting more information, a sales call, or ordering the copier. There was no offer! And probably little or no response. Would you fill out and mail a coupon if you didn't know for what you were obligating yourself?

The offer is one of the simplest and most dramatic ways to improve results. If the average creative person spent as much time thinking about, refining, and fine-tuning his offer as he does in editing and polishing a piece of direct-response copy, his results would be a lot better. Because the right offer can sell almost anything. It can mean the difference between the success and failure of a promotion. It can make a successful promotion dramatically *more* successful! Rather simple changes in offers have improved results on the same product or service by 25%, 50% and 100%!

But let's start with the basics. What is the offer? It's simply your proposition to the prospect or customer—what you will give him in return for taking the action your mailing or ad requests him to take.

What does it include? The product or service .... the price and payment terms under which the customer can get it . . . any incentives to be thrown in (like a free gift) . . . and any specific conditions or strings attached to the offer. Sometimes, the offer includes free literature or booklets as a first step toward getting the actual product or service.

1. Basic Offer Requirements

Assuming you are selling a product or service by mail, the basic offer requirements to consider are pricing, Free-Trial or Money-Back Guarantee, and payment options. It usually makes sense to also include a tangible incentive to "sweeten" the offer.

Pricing. The starting point for any product or service being sold by mail is the right price. Most direct marketers require at least a three-time product markup. For example, if you're selling a home appliance for $29.95, your product cost should be somewhere around $10.00. Publishers usually work on a greater markup. Catalog firms, which spread out their promotion costs over a large number of products, can often get by with less than a three-time markup.

Free-Trial or Money-Back Guarantee. These are two basic offers that have become real standbys. Both are designed to relieve the risk of ordering a product by mail, sight unseen.

The easiest way to spot a Free-Trial offer is if the advertiser is willing to let the consumer try *his* product before he gets the *consumer's money.* Most trial periods are 10 to 15 days, but the trial period should fit the particular product or service being offered.

Naturally, a trial offer will involve some returned goods—people who decide for one reason or another *not* to keep the merchandise. This will generally average 10 to 15 percent of those who accept the offer. *But a trial offer will normally produce about twice as many orders as a Money-Back Guarantee!* So, even with the added cost of shipping and processing the returned goods, the Free-Trial offer should pay out better.

If for some good reason you can't use a Free-Trial offer, the Money-Back Guarantee is the next best thing. The main difference is that you are asking the customer to pay part or all of the purchase price *before* you let him try your product.

Payment Options. The most common ones are Cash-with-Order, Bill-Me-Later, Installment Terms, and Charge-Card Privileges. These will not be discussed in detail, but it might help to remember that Cash-with-Order is the basic payment option used with a Money-Back Guarantee, while Bill-Me-Later is the basic one used with Free-Trial offers. Charge-Card Privileges are used much more widely than offering your own Installment Terms, especially with catalogs and 800-number phone ordering. Even though you have to pay a small percentage of sales to the credit card companies, they can virtually eliminate the bad debts you might experience with a Bill-Me-Later offer or your own Installment Terms.

A Tangible Incentive. In addition to an attractive price, Free-Trial or Money-Back Guarantee, and one or more convenient payment options, it usually helps to add an extra incentive. Something tangible that will melt away human inertia and get people into action now.

The more attractive you can afford to make your offer, the better your response will be. So your goal is to come up with the most attractive offer you can afford—and, in so doing, to increase response enough that you will actually wind up with a lower cost-per-order or cost-per-inquiry than without the extra incentive.

2. Most Popular Offer Categories

When you sit down to make a list of direct-response offers and their variations, it's amazing how many you can come up with. In *Profitable Direct Marketing*, you will find "99 Proven Direct Response Offers"—including a complete description of all these tested and successful propositions. This checklist is included here as a handy reference. (See Exhibit 10-2 on page 166.) The main categories are:

Free Gift Offers. Some of the most popular offers include: a gift just for inquiring or requesting more information; a gift for agreeing to *try* the product (which the customer is usually allowed to keep even if he sends the merchandise back); a gift for *buying* your product or service; or a gift related to the amount of the customer's order. Others in this category include multiple free gifts, mystery gifts, and *your choice* of free gifts.

Other Free Offers. Most offers that fall into this category are designed for lead-getting situations—especially in the business market, where the usual objective is to get an inquiry for a salesperson to follow up. The more generous types of lead-getting offers include free gifts, free information, a free catalog, or a free booklet. Other free offers that tend to produce more qualified inquiries include a free survey, free estimate, free demonstration, or just a sales call.

Discount Offers. Some of the most popular types include a cash discount, a quantity or volume discount, and an early bird discount. One widely used for direct response is the short-term introductory offer, such as "Try 10 weeks of the *Wall Street Journal* for only $9.45." Technically speaking, a refund certificate is also a discount offer—sort of a delayed discount.

Sale Offers. This is the "first cousin" to a discount offer. For a sale is really like a discount for a specified period of time. There are umpteen different names used

Exhibit 10-2
99 PROVEN DIRECT RESPONSE OFFERS*

Basic Offers

1. Right Price
2. Free Trial
3. Money-Back Guarantee
4. Cash with Order
5. Bill Me Later
6. Installment Terms
7. Charge Card Privileges
8. C.O.D.

Free Gift Offers

9. Free Gift for an Inquiry
10. Free Gift for a Trial Order
11. Free Gift for Buying
12. Multiple Free Gifts with a Single Order
13. Your Choice of Free Gifts
14. Free Gifts Based on Size of Order
15. Two-Step Gift Offer
16. Continuing Incentive Gifts
17. Mystery Gift Offer

Other Free Offers

18. Free Information
19. Free Catalog
20. Free Booklet
21. Free Fact Kit
22. Send Me A Salesman
23. Free Demonstration
24. Free "Survey of Your Needs"
25. Free Cost Estimate
26. Free Dinner
27. Free Film Offer
28. Free House Organ Subscription
29. Free Talent Test
30. Gift Shipment Service

Discount Offers

31. Cash Discount
32. Short-Term Introductory Offer
33. Refund Certificate
34. Introductory Order Discount
35. Trade Discount
36. Early Bird Discount
37. Quantity Discount
38. Sliding Scale Discount
39. Selected Discounts

Sale Offers

40. Seasonal Sales
41. Reason-Why Sales
42. Price Increase Notice
43. Auction-By-Mail

Sample Orders

44. Free Sample
45. Nominal Charge Samples
46. Sample Offer with Tentative Commitment
47. Quantity Sample Offer
48. Free Sample Lesson

Time Limit Offers

49. Limited Time Offers
50. Enrollment Periods
51. Pre-Publication Offer
52. Charter Membership (or Subscription) Offer
53. Limited Edition Offer

Guarantee Offers

54. Extended Guarantee
55. Double-Your-Money-Back Guarantee
56. Guaranteed Buy-Back Agreement
57. Guaranteed Acceptance Offer

Build-Up-The-Sale Offers

58. Multi-Product Offers
59. Piggyback Offers
60. The Deluxe Offer
61. Good-Better-Best Offer
62. Add-On Offer
63. Write-Your-Own-Ticket Offer
64. Bounce-Back Offer
65. Increase and Extension Offers

Sweepstakes Offers

66. Drawing Type Sweepstakes
67. Lucky Number Sweepstakes
68. "Everybody Wins" Sweepstakes
69. Involvement Sweepstakes
70. Talent Contests

Club & Continuity Offers

71. Positive Option
72. Negative Option
73. Automatic Shipments
74. Continuity Load-Up Offer
75. Front-End Load-Ups
76. Open-Ended Commitment
77. "No Strings Attached" Commitment
78. Lifetime Membership Fee
79. Annual Membership Fee

Specialized Offers

80. The Philanthropic Privilege
81. Blank Check Offer
82. Executive Preview Charge
83. Yes/No Offers
84. Self-Qualification Offer
85. Exclusive Rights for Your Trading Area
86. The Super Dramatic Offer
87. Trade-In Offer
88. Third Party Referral Offer
89. Member-Get-A-Member Offer
90. Name-Getter Offers
91. Purchase-With-Purchase
92. Delayed Billing Offer
93. Reduced Down Payment
94. Stripped-Down Products
95. Secret Bonus Gift
96. Rush Shipping Service
97. The Competitive Offer
98. The Nominal Reimbursement Offer
99. Establish-the-Value Offer

Source: *Profitable Direct Marketing* by Jim Kobs, Kobs & Brady, Inc.

for sales, but most of them fall into the category of a seasonal sale (such as Spring Clearance) or a reason-why sale (such as Inventory Reduction).

Sample Offers. A sample offer is designed to do just one thing: get your product in the prospect's hands. For a good sample of a good product will sell itself better than all the fancy words and pictures that can be used to describe it. Variations include a free sample, nominal charge samples, and a sample offer tied to a tentative commitment.

Time Limit Offers. A number that have become favorites for certain products or services include an enrollment period, pre-publication offer, charter offer, and limited editions. Because the offer has a time limit, they all tend to force a quick decision and avoid procrastination.

Guarantee Offers. In addition to the basic money-back guarantee reviewed earlier, there are extended guarantees (such as a magazine that offers to refund the unexpired portion of a subscription) and specialized guarantees (such as a buy-back agreement for collectibles).

Build-Up-the-Sale Offers. Most direct marketers are interested in increasing the size of their average order. And there are a number of special offers designed to accomplish just that. An example is the deluxe offer, often used by book publishers. Or the multi-product offer—two or more products featured in the same ad or mailing.

Sweepstakes Offers. Types include pre-selected numbers, drawings, everybody wins, and involvement sweepstakes. And it's not unusual to see a sweepstakes improve results by 50 percent or more. The economics of an attractive prize structure usually limit them to large mailers with a big universe.

Club & Continuity Offers. These offers are favorites with the record clubs, book clubs, and other publishers. While there are many variations, the three most popular ones are positive option, negative option, and automatic shipments.

In addition to the specific offer categories discussed above, the checklist includes a number of specialized offers that tend to fit only certain types of direct marketing operations.

Format Possibilities

While there have been hardly any truly new offers developed in recent years, the creative person must contend with a steady stream of new format possibilities. Particularly in direct mail. By comparison, there are fewer options in space and broadcast formats—but still enough to provide plenty of flexibility in the size, shape, length, or configuration of the vehicle that conveys your message.

In print advertising, for example, you can choose a small space ad, fractional page, full-page, or a double spread. Use black-and-white, two-color, or four-color. Use an on-page coupon, bind-in reply card, or a magazine insert the size of a full-page. Newspapers also accept advertiser inserts, with virtually no limit on the size or number of pages.

Broadcast offers similar possibilities. Common TV spot lengths used for direct response include 30-seconds, one-minute, 90-seconds, and two-minutes. As cable TV continues to grow, you can expect to see more use of informercials. As the name implies, they combine informative material with selling messages, often running for 15 minutes or more.

1. Standard Mailing Formats

The most popular physical formats for direct mail fall into these categories:

- **Number 10 Package**—usually a letter, circular, and order form mailed in a number 10 envelope, the size used for standard business correspondence. A reply envelope is often included.
- **6 × 9 Package**—like a number 10, except mailed in an envelope that measures 6 × 9 inches.
- **9 × 12 Package**—like the above, except mailed in an oversized envelope that measures 9 × 12 inches.
- **Self-mailer**—any piece mailed by itself, without an outside mailing envelope.
- **Catalog**—a multi-page format designed to present a variety of merchandise. Usually sent as a self-mailer, but can be mailed in an envelope.

As noted, the number 10 package, the 6 × 9, and 9 × 12 usually have similar components. Each component—the envelope, letter, circular and order form—works together to do a complete selling job.

2. Specialized Mailing Formats

There are literally hundreds of different variations available. Among the most widely-used are:

- **Enclosures**—like gift slips to play up an incentive or a publisher's letter to add a last-ditch selling idea.
- **Computer-Personalized Formats**—the computer letter has now been with us for over 15 years. It's evolved into packages with multiple personalization, from the letter to order forms, brochures, gift slips, and other mailing components.
- **Invitations and Telegrams**—both have been around for decades but have stood the test of time and are still used widely.
- **Catalog Overwraps**—an outer wrap that goes around a catalog's cover, normally used for a special offer, letter message, or institutional copy.
- **Involvement Devices**—gummed stamps and punch-out tokens continue to see wide usage . . . along with rub-off hidden messages, yes/no boxes, product samples or swatches, peel-off labels, and wallet-size temporary membership cards.
- **Blow-In Cards**—these are the loose cards that fall out of magazines as you turn the pages. Publishers have long used them to sell subscriptions to their own magazine. A recent change in postal regulations has allowed them to be used in catalogs for the first time. A few large catalog firms are already testing them, to feature new or hot products. They have the potential to become, like catalog overwraps, a productive addition to the standard catalog format.

Exhibit 10-3

COST OF A DIRECT MAIL PIECE
PACKAGE A

	Cost per thousand (Includes: typesetting and printing costs; not creative costs)					
Components	**10M**	**50M**	**250M**	**1MM**	**Total**	**Standard Deviation**
Letter & Order Form– Personalized 4 line address 2 sides/2 colors–folded/ perforated–8½ × 14 50 lb. white bond	$114.73	$ 50.94	$ 35.48	$ 26.08	$56.47	$ 47.44
Brochure–2 colors/ 2 sides folded 11 × 17 70 lb. stock	$125.33	$ 75.82	$ 45.52	$ 38.71	$ 74.56	$ 62.91
Push Note/Memo–2 sides/ 2 colors up to 5½ × 8½ flat–60 lb. white	$ 54.73	$ 20.45	$ 14.55	$ 11.93	$ 26.30	$ 26.99
Reply Envelope–1 color #9 (8⅞ × 3⅞) 24 lb. white wove	$ 22.79	$ 17.58	$ 14.83	$ 11.16	$ 16.54	$ 7.94
Outside Envelope–2 colors #10 1 window–(9½ × 4⅛) 24 lb. white wove	$ 30.47	$ 21.76	$ 21.25	$ 17.47	$ 22.41	$ 10.90
Lettershop Charges	$ 32.27	$ 22.28	$ 23.75	$ 22.04	$ 24.70	$ 14.63
Sub Total	$380.33	$208.83	$155.38	$127.39	$220.98	
House List	$2.50	$2.50	$3.75	$1.25	$2.50	$1.44
Or List Rental	$ 60.00	$ 48.00	$ 43.75	$ 56.14	$ 51.78	$ 14.70
Merge/Purge	$ 5.33	$ 5.83	$ 8.75	$ 7.75	$ 7.08	$ 4.47
Postage	$107.57	$108.53	$107.71	$ 96.11	$104.66	$ 14.51
Additional package costs: art and preparation	$ 26.25	$ 28.53	$ 21.00	$ 6.40	$ 23.31	$ 16.28
Grand Total (In House)	$521.98	$354.28	$296.59	$238.90	$358.54	
Grand Total (List Rental)	$579.48	$399.78	$336.59	$293.79	$407.82	

Source: Direct Marketing Association Research Department, 1984
These figures were compiled from the results of a survey conducted among DMA members (printers, lettershops, and mailers.) Statistics should be viewed with caution due to small respondent bases.

Exhibit continues

Exhibit 10-3 (cont'd)

COST OF A DIRECT MAIL PIECE
PACKAGE B

Cost per thousand
(Includes: typesetting and printing costs; not creative costs)

Components	10M	50M	250M	1MM	Total	Standard Deviation
Letter–2 pages/2 colors 8½ × 11–60 lb. white	$ 72.96	$ 35.52	$ 26.13	$ 20.83	$ 38.24	$ 29.06
Brochure–4 colors/ 2 sides 11 × 17 70 lb. coated stock	$215.03	$135.67	$ 63.31	$ 57.63	$114.16	$ 94.84
Order Form–2 color 8½ × 11–60 lb. white	$ 47.92	$ 33.94	$ 17.73	$ 12.82	$ 27.67	$ 23.02
Reply Envelope–1 color #9–(3⅞ × 3⅞) 24 lb. white wove	$ 28.40	$ 19.10	$ 13.86	$ 11.40	$ 18.22	$ 8.16
Outside Envelope–1 color 9 × 12–24 lb. white wove	$ 55.00	$ 40.14	$ 33.66	$ 28.18	$ 33.99	$ 22.76
Lettershop Charges	$ 37.28	$ 30.99	$ 28.65	$ 24.66	$ 29.63	$ 17.48
Sub Total	$456.61	$295.37	$183.34	$155.52	$266.90	
House List	$3.75	$2.25	$1.75	$1.50	$2.31	$1.25
Or List Rental	$ 52.50	$ 54.00	$ 41.75	$ 42.91	$ 46.35	$ 14.24
Merge/Purge	$ 8.00	$ 6.25	$ 8.25	$ 6.80	$ 7.28	$ 3.95
Postage	$109.50	$108.00	$100.80	$ 99.44	$103.18	$ 13.49
Additional package costs: art and preparation	$ 7.50	$ 6.79	$ 8.53	$ 10.46	$ 9.08	$ 10.22
Grand Total (In House)	$585.36	$418.66	$302.07	$273.91	$388.75	
Grand Total (List Rental)	$634.11	$470.41	$342.07	$315.13	$432.79	

Source: Direct Marketing Association Research Department, 1984
These figures were compiled from the results of a survey conducted among DMA members (printers, lettershops, and mailers.) Statistics should be viewed with caution due to small respondent bases.

Exhibit continues

Exhibit 10-3 (cont'd)

COST OF A DIRECT MAIL PIECE
PACKAGE C

Cost per thousand
(Inclu[illegible] setting and printing costs; not creative costs)

Components	10M	50M	250M	1MM	Total	Standard Deviation
Letter–2 pages/2 colors 8½ × 11–50 lb. white	$ 35.30	$ 31.22	$ 20.63	$ 24.95	$ 26.29	$ 16.01
Brochure–4 colors/2 sides 17 × 22 folded to 5½ × 8½ 70 lb. coated stock	$320.08	$137.53	$ 64.65	$ 63.29	$117.65	$110.89
Order Card–2 colors 5 × 8 perforated–7 pt. card	$ 39.50	$ 28.41	$ 15.48	$ 18.93	$ 21.08	$ 10.81
Reply Envelope–1 color 5½ × 5½ 24 lb. white wove	$ 54.31	$ 42.31	$ 19.06	$ 19.50	$ 29.71	$ 17.86
Outside Envelope–1 color 9 × 6–24 lb. white wove	$ 56.02	$ 34.75	$ 27.79	$ 24.26	$ 33.89	$ 18.12
Lettershop Charges	$ 27.59	$ 23.19	$ 17.88	$ 17.16	$ 20.51	$ 5.47
Sub Total	$532.80	$297.42	$165.49	$168.08	$249.13	
House List	$3.75	$2.25	$1.17	$1.50	$2.06	$1.38
Or List Rental	$ 55.00	$ 53.73	$ 55.60	$ 60.17	$ 57.25	$ 4.52
Merge/Purge	$ 8.00	$ 6.25	$ 9.39	$ 6.96	$ 8.08	$ 5.22
Postage	$113.75	$107.50	$107.78	$108.88	$109.04	$ 10.71
Additional package costs: art and preparation	$ 0.00	$ 0.00	$ 13.33	$ 9.53	$ 11.95	$ 8.33
Grand Total (In House)	$658.30	$413.41	$297.15	$294.94	$308.25	
Grand Total (List Rental)	$709.55	$464.89	$351.58	$353.61	$437.45	

Source: Direct Marketing Association Research Department, 1984
These figures were compiled from the results of a survey conducted among DMA members (pnnters, lettershops, and mailers.) Statistics should be viewed with caution due to small respondent bases.

Specialized Types of Creative

The purpose of this section is to acquaint you with some of the specialized types of creative—and, hopefully, give you some tips that will be helpful in judging or approving creative work. Regardless of the media used, the creative aspect of direct marketing is not primarily intended to inform, entertain, or build brand awareness. The objective is to sell—to get an order or have the reader/viewer take some other specific action.

That means you must have a well-thought-out creative strategy. One that is ideally supported by research or what you know about your market. There should also be a single "big idea" you want to get across in each ad, mailing, or commercial—even though it may take a thousand or more words or copy and dozens of illustrations to fully develop your selling story.

1. Direct Mail Packages and Sales Letters

All the elements of a standard mailing package have their own job to do. The envelope should get attention, whet the reader's appetite, and make him open the package to see what's inside. The brochure's main job is to illustrate the product or service, explain its benefits thoroughly, and answer any key questions that might stand in the way of a sale. The order form has the job of providing the agreement copy that serves as a contract . . . along with summarizing the offer benefits and motivating the reader to action.

Even for the most experienced writer, creative director, or client, the toughest job is developing a strong sales letter, particularly for a writer who comes out of the general advertising field. A general advertising writer is just not used to writing in the first person, me-to-you style that a sales letter requires. Fortunately, there are some good letter-writing formulas that can be used as a guide. However, it still takes lots of practice to communicate in a personal style that's readable, natural, and believable.

All the testing and experimentation that's been done shows that the letter lead—the headline and/or opening paragraphs—are critical to success. Many years ago when the chapter on "Creating Direct Mail Packages"* was written for Bob Stone's book, it covered six of the most common types of leads used in sales letters at the time.

Recently, some informal research was done to see if the same types of letter leads were still being used. One hundred sales letters were selected at random. Not a scientific sample to be sure, but something that could be useful as a guide.

Here's how the letter openings broke down:

• Offer leads	42%
• Flattery and Invitation leads	14%
• Narrative leads	8%
• Benefit leads	8%
• Question leads	8%
• Timeliness leads	7%
• Involvement leads	6%
• Miscellaneous	7%

Surprisingly, only two of the original types of letter leads were still among the top seven. The most popular category—Offer Leads—had shown the strongest growth by far.

2. Catalog Copy

Many writers over the years have learned their craft by writing catalog copy. It's a specialty area that's still considered good training for other creative jobs. Unfortunately, there is a scarcity of articles written on the subject.

The advice that agencies frequently give clients about catalog copy was recently summarized by an account group supervisor from a prominent agency:

Basically, people tend to browse through catalogs. Therefore, headlines have to stop the reader and draw attention to the specific catalog item. They should differentiate similar products and give the reader a reason to read about them.

The speaker also noted that not every successful catalog employs headlines that fit these criteria. Some do not use formal headlines at all, or simply use page headlines and begin each item with a product name. It's been found that each catalog develops a personality of its own. The headlines, graphics, and body copy should be in keeping with that personality.

Speaking of body copy, its job is to cover the "nuts and bolts" details—things like size, weight, materials, color choices, and other specifications. *Good* catalog copy goes beyond that and adds a skillful mix of selling copy, even if it's only another sentence or two.

3. Space Ads

Many creative principles apply equally well for direct mail and space advertising. The main difference is you usually have much less room to tell your story in an ad. Even a full-page ad or double spread has a lot fewer words than the letter/brochure/order form in a typical mailing. Therefore, it's critical to develop the right copy strategy and quickly capture the reader's attention. The letter job is shared by the ad graphics and headline.

The headline is even more important than in catalog copy. Surprisingly, the techniques for writing good headlines really don't differ much whether it's a direct response ad or a general ad. David Ogilvy once wrote:

I earn my living as a copywriter in an advertising agency. It is a matter of life and death for me to get people to read my advertisements. I have discovered that more than half the battle is to write headlines which grab people's attention and force them to read the copy. I learned how to do this by studying editorial headlines in Reader's Digest.

How you learn it, or do it, isn't important. Some textbooks say headlines should carry a reader benefit. Some very successful space ads, like the one shown here for the Classics Club, violate that rule (see Exhibit 10-4). But, like most successful response ads, it contains long copy to tell a complete enough selling story to get the order.

4. Broadcast Copy

With direct mail, catalogs, and space ads, the art director has the task of blending illustrations and photographs . . .

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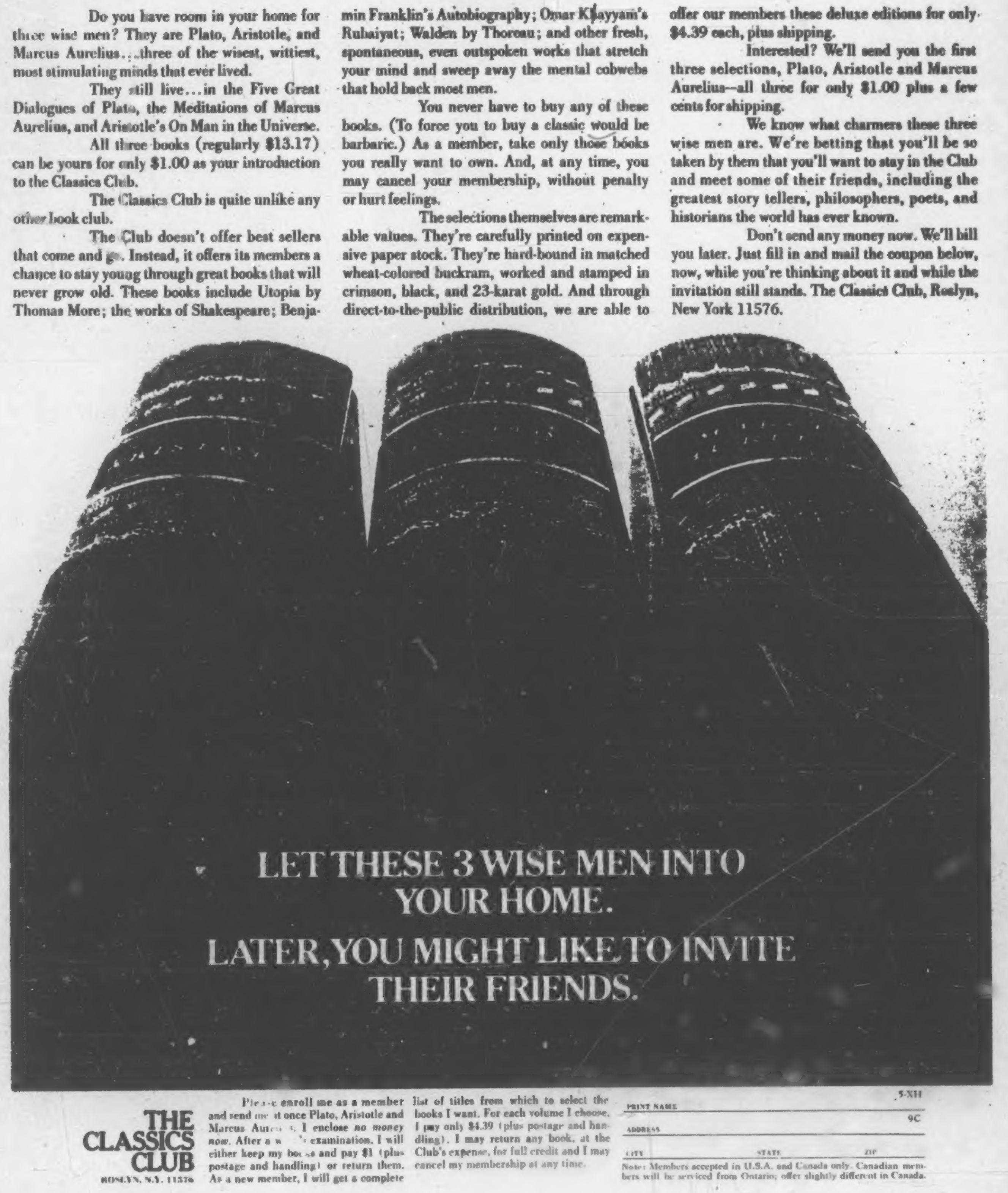
*Authored by Jim Kobs, Kobs & Brady Advertising, Inc.

Exhibit 10-4



Do you have room in your home for three wise men? They are Plato, Aristotle, and Marcus Aurelius...three of the wisest, wittiest, most stimulating minds that ever lived.

They still live...in the Five Great Dialogues of Plato, the Meditations of Marcus Aurelius, and Aristotle's On Man in the Universe.

All three books (regularly $13.17) can be yours for only $1.00 as your introduction to the Classics Club.

The Classics Club is quite unlike any other book club.

The Club doesn't offer best sellers that come and go. Instead, it offers its members a chance to stay young through great books that will never grow old. These books include Utopia by Thomas More; the works of Shakespeare; Benjamin Franklin's Autobiography; Omar Khayyam's Rubaiyat; Walden by Thoreau; and other fresh, spontaneous, even outspoken works that stretch your mind and sweep away the mental cobwebs that hold back most men.

You never have to buy any of these books. (To force you to buy a classic would be barbaric.) As a member, take only those books you really want to own. And, at any time, you may cancel your membership, without penalty or hurt feelings.

The selections themselves are remarkable values. They're carefully printed on expensive paper stock. They're hard-bound in matched wheat-colored buckram, worked and stamped in crimson, black, and 23-karat gold. And through direct-to-the-public distribution, we are able to offer our members these deluxe editions for only $4.39 each, plus shipping.

Interested? We'll send you the first three selections, Plato, Aristotle and Marcus Aurelius—all three for only $1.00 plus a few cents for shipping.

We know what charmers these three wise men are. We're betting that you'll be so taken by them that you'll want to stay in the Club and meet some of their friends, including the greatest story tellers, philosophers, poets, and historians the world has ever known.

Don't send any money now. We'll bill you later. Just fill in and mail the coupon below, now, while you're thinking about it and while the invitation still stands. The Classics Club, Roslyn, New York 11576.

LET THESE 3 WISE MEN INTO YOUR HOME.

LATER, YOU MIGHT LIKE TO INVITE THEIR FRIENDS.

THE
CLASSICS
CLUB
ROSLYN, N.Y. 11576

Please enroll me as a member and send me at once Plato, Aristotle and Marcus Aurelius. I enclose *no money now*. After a week's examination, I will either keep my books and pay $1 (plus postage and handling) or return them. As a new member, I will get a complete list of titles from which to select the books I want. For each volume I choose, I pay only $4.39 (plus postage and handling). I may return any book, at the Club's expense, for full credit and I may cancel my membership at any time.

5-XH

PRINT NAME

9C

ADDRESS

CITY STATE ZIP

Note: Members accepted in U.S.A. and Canada only. Canadian members will be serviced from Ontario; offer slightly different in Canada.

headlines and body copy . . . typography and colors . . . to create the right graphic mood, display the product or service to best advantage, and to invite the readership that leads to response.

In television, the producer takes over these tasks. And this role has taken on new significance in recent years as direct-response spots have been upgraded in their production values. TV has always been a visual medium. But you would have scarcely known it by the way response spots used to be produced. They would traditionally put a spokesman on camera. This "talking head," as it's known in the trade, would deliver the selling message in the style of an old-time pitchman, complete with a demonstration. You'd actually be able to see how the product would slice and dice, munch and crunch its way through a problem. You might call it the Vegamatic Syndrome.

Make no mistake about it—those spots worked. They moved a ton of merchandise in TV's early days. However, viewers started becoming more sophisticated. Fortunately, direct-response advertisers have done the same. Today, a typical TV spot is more like one recently done for Home Box Office. It uses top character actors. A "slice of life" situation. Cuts from recent Hollywood movies that are offered on HBO. And, of course, a strong call to action. In short, much more than just a talking head on camera.

As with space advertising, it's critical to capture attention quickly—to tell as complete a story as possible, within the time constraints. Even a two-minute spot, which is four-times the most common length used by general advertisers, contains only about 250 words of copy.

Response TV is growing roughly 45 percent faster than general TV advertising based on the latest figures available. Part of that can no doubt be attributed to the growing use of TV support. These shorter commercials, which are used heavily by advertisers like Publishers Clearing House, simply pre-sell the viewer for a more complete selling message that will soon appear in his mailbox or Sunday newspaper.

Radio bears mentioning, but not much more than that. With a few exceptions, it is not widely used for direct response. Radio has the same time limitations as television, but lacks the demonstrability and other visual effects TV offers.

5. Business Market

To talk even briefly about creativity for the business market is difficult without first making the distinction between business mail-order and business lead-getting.

With some relatively minor differences, business mail-order is guided by the same creative principles as consumer mail-order. You normally use a standard mailing package format or a catalog. It should be noted that self-mailers tend to work better than they do in the consumer market, particularly for promoting business seminars.

Test experiences have repeatedly shown that consumer-like techniques are equally effective in the business market. Things like oversize headlines, colorful brochures, strong benefit copy, free gifts, and prominent guarantees motivate a business buyer. He might be spending company money rather than his own, but he's still human and trying to make a wise buying decision.

When it comes to lead-getting, whose growth is being driven by rapidly escalating costs of personal selling, the creative strategies shift sharply. The goal is not to tell a complete enough story to make a sale, but merely to whet the reader's appetite enough to get him or her to raise their hand by requesting more information.

This usually means a less elaborate mailing package. Or a space ad that's not so copy heavy. It also means you tend to put more emphasis on the offer (perhaps a free booklet, seminar, or demonstration) than on the product itself. You should also have a clear-cut idea of the relationship between lead quality and quantity.

The offer—and how much emphasis you give it—is the controlling factor here. A generous offer, prominently displayed, will produce a higher quantity of leads, but they will be lower quality as far as conversion to sales. The same relationship applies in reverse. A less generous offer produces fewer, but better qualified, leads.*

6. Telemarketing Scripts

It sounds easy to write a script for a trained communicator to use in calling customers or prospects. It isn't. Like a sales letter, a phone script has to be in a first person, me-to-you style. It's even harder, however, because it will be spoken, not read. It has to sound natural.

A good phone script should also take advantage of the fact that telemarketing is an interactive medium. You want to engage the prospect in a conversation or dialogue. That means being able to ask questions that are both appropriate and provocative enough to arouse the prospect's interest.

There are situations where a call guide can be used, which simply outlines the points to be covered in each call. In most cases, however, it makes sense to script out at least part of the call. A completely scripted call ensures a uniform selling message, regardless of the experience level or background of the caller.

One beauty about writing telemarketing scripts is the flexibility they provide to change and experiment. In every other medium, a point is reached where the message must be "frozen." It's time for the brochure to go to the printer, to shoot the TV spot, or make a space ad closing date. The message is then exposed to thousands or millions of people before there is a chance to revise it again.

Not so with telemarketing. You can try out the script on a few dozen calls. See which parts work and which do not. Make the changes on the spot. A good telemarketing script is more of an evolutionary creative process than the other categories that have been covered.

7. Creativity Challenges of the Future

The subjects covered above are today's most specialized types of creativity. As the new video grows in popularity and reaches its potential, certainly others will have to be

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*For more in-depth advice on the creative process in a business environment, see *Business/Industrial Direct Marketing*, published by DMA in 1982.

added to this list, such as the creative challenge of videotex and techniques for maximizing response from interactive video.

Testing and the Creative Process

Unlike general advertising, most direct-marketing agencies do not have a research department or a research director on their payroll. They have many of them. For testing is so basic to the direct response field, that it's like a continuum of research. Almost everyone in the agency gets involved in one way or another in this research process.

The measurability of direct marketing allows us to scientifically split-test one approach versus another. To find out which works better. Precisely how much better. Not by measuring opinions, or readership, or "will you buy?" intentions, but by counting the actual orders or inquiries received.

Measurability and the built-in testing mechanism are truly what set us apart from general advertising. The ability to accurately measure the success of his or her creative efforts—and to continually learn what motivates people to respond—is a tremendous tool for the creative person. While it may cause some occasional insecurity, the really good creative people thrive on knowing what works and what doesn't—and on being able to see the real impact of their creative efforts.

1. What to Test

While it's tempting to be able to test everything under the sun, testing budgets should be concentrated on the big things that make a major impact on success. They fall into two main categories.

The first is market testing. These are the tests that determine which lists, publications, or broadcast buys are most successful. Since they make more impact on results than offers and creative executions, this area should never be neglected in a sound testing program. A smart creative person pays as much attention to these tests results as he does to copy tests. For, in doing so, he learns more about the market he's selling.

The other broad area that testing should be concentrated on could be called the *motivators* and the *message*. The motivators are the offers and the various offer elements discussed earlier: pricing and payment options, premiums, discounts, sweepstakes, and so on. Next to market testing, they have the most impact on results.

The message is the creative execution—strategy, headlines, and copy, plus the graphics and format of the ad or mailing that are used to deliver the creative message. Ideally, some testing should be done in all these areas, so the winning tests can be put together and really parlay your success.

2. How to Test

How your tests are structured depends on the medium. In space advertising, many large consumer magazines can give you a perfect A/B split run. Half the copies are printed with your ad A; the other half with ad B. The same is true in direct mail, where the computer should be able to split your lists into two or more test panels, selected on a random sample basis.

How you use these media test capabilities depends on what you want to learn. If you want to learn what impact a single element makes on results, you do element testing—such as testing two ad headlines, or with and without a premium.

If you're looking for breakthroughs, you may prefer to go at it differently and test what might be called "the whole enchilada." Such as an all-new ad with different headline, a premium offer you haven't tried before, and brand-new copy. If it works better than your existing control ad, you won't know exactly what made the difference, but you can do element testing later to find out.

Since we've been examining the subject of "Creativity—Then and Now," it might be appropriate to close by asking if testing has changed much over the years. The answer is *Yes* and *No*.

We still need to test as much as ever. Because we can never predict in advance exactly how the consumer will react to a specific offer or creative execution, until it's been tested. Then it becomes very predictive to do confirmation testing and roll-out with the winner. That's always been true.

But over the years, direct marketers have become much more sophisticated about testing. Years ago, there used to be a lot of testing devoted to things like different colors of paper stock or whether you underscore the words in an ad headline. In other words, trivia testing—things that make a very minor difference in results.

Today's direct marketers seem to be much smarter in that regard. They use their test dollars to find breakthroughs. They have computers to help make sure their test panels are selected accurately. They make more use of Probability Tables to ensure the results they're getting are statistically valid.

This bodes well for the future of direct marketing, because, essentially, we test today to learn how to spend tomorrow's advertising budget more profitably. That's really what direct marketing is all about.

11

Delivery Systems

by Richard Barton
Direct Marketing Association, Inc.

United States Postal Service

Rates and Classifications

U.S. Postal Service rates and classifications are determined in a complicated process requiring a proposal of the USPS Board of Governors, a recommended decision by the Postal Rate Commission, and final action by the Governors. At present, there are four major classes of mail, First through Fourth, with each receiving different kinds of service. The class of mail and the service it receives from postal workers determines the rate charged to users of each class.

First Class—Users pay a premium rate to receive significantly faster and more costly handling. We estimate that approximately 20 percent of all First Class letter mail is direct mail. About five percent of all First Class mail consists of business reply envelopes and cards.

Second Class—A diverse grouping of five subclasses including magazines, newspapers, and other periodical publications. These subclasses are: regular rate, classroom publications, nonprofit, transient rate, and within county.

Third Class—All types of advertising including items such as circulars, catalogs and newsletters; the major categories are: piece, regular bulk, and nonprofit mail.

While direct mailers use several classes of mail (see page 131 for Exhibit 6-6 "Number of Pieces of Mail Attributed to Direct Mail"), they primarily take advantage of lower rates provided by the Third Class, regular bulk category. A $50 bulk mailing fee is required for each calendar year or portion thereof. In addition, a $50 application fee is required to mail permit imprint matter. Authorized *nonprofit* bulk mailers must, also, pay these fees. It is estimated that approximately 964,398 Third Class permits are currently held. An estimated 90 percent of these permit holders have fewer than 100 employees, and an estimated 50 percent have fewer than nine employees.

To qualify for Third Class Bulk rates, the business mailer (or direct mailer) must ZIP Code sort, bundle, tie, bag, and personally deliver the sacks of mail to the post office. The business mailer performs up to half of the basic tasks normally performed by the Postal Service for First Class mail. The requirement for preparation of all classes of mail are in the Domestic Mail Manual.

Fourth Class—Mailable matter which is not mailed at first or second class rates and weighs 16 oz. or more. This is the principal category for the mailing of parcels. There are special rates for books and records. Library rates fall under Fourth Class mail.

Most International Mail falls within two major categories:

Postal Union Mail — Postal Union Mail is divided into two groups: LC Mail and AO Mail. LC Mail (letters and cards) consists of letters, letter packages, aerogrammes, and post cards; AO Mail (other articles) includes printed matter, matter for the blind, and small packets. Weight limits for Postal Union Mail vary depending on both the classification of the piece and the nation of destination.

Parcel Post — Parcel Post is available to most countries, with varying dimensional and weight restrictions.

For more detailed information on both Postal Union Mail and Parcel Post, consult Publication 51, "International Postal Rates and Fees," filed in your local Post Office.

Private Express Statutes

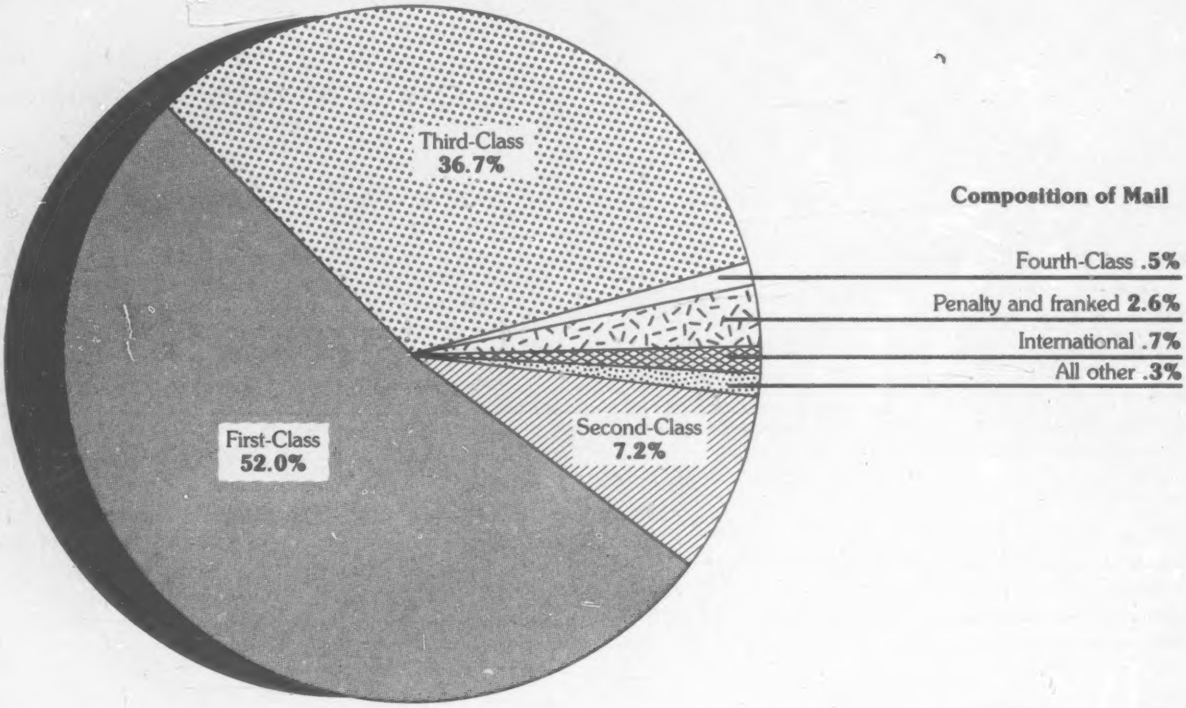
The origin of statutory restrictions on private delivery of letters developed in the days of absolute monarchs of Europe, who engaged carriers on a regular basis to transport official correspondence among the courts by using established way stations. It was common practice in Europe, prior to 1700, to grant monopolies for mail delivery. Between 1700 and 1740, most European countries assumed control of the existing private systems, to ensure that regular communications necessary for the transactions of government business were carried out efficiently.

In the United States, the Private Express Statutes marked the beginning of what was to become known as the United States Postal Service (USPS). These Statutes were based on the restrictions of a stable, functioning, rational postal system. Even after the postal system had developed and expanded to provide universal, inexpensive and prompt postal service, the Private Express Statutes remained, and private competition was restricted to perpetuate the "secure economic foundations of the United States Postal Service."

1. Restrictions on Delivery

Private Express Statutes restrict the delivery of letter correspondence directed to a particular individual at a given address. The correspondence must be delivered into the householder's or office's letterbox or mail slot by the USPS. If delivered by private carrier, postage must be affixed and cancelled. In other words, a private carrier may

Exhibit 11-1
Composition of Mail



Source: Annual Report of the Postmaster General, 1984

Exhibit 11-2
Pieces of Mail

Pieces of Mail

Mail Classification (in billions)	**1984**	**1983**	**Percent Change**
First-Class	68.43	64.25	6.5
Second-Class	9.52	9.22	3.3
Third-Class	48.25	40.73	18.4
Fourth-Class	0.60	0.57	5.6
Penalty and franked	3.45	3.32	3.7
International	0.89	0.91	−1.1
All other	0.40	0.38	5.4
Total mail	131.54	119.38	10.2

Source: Annual Report of the Postmaster General, 1984

Exhibit 11-3
Brief History of Selected Postal Rates

E.D. = Effective Dates

Year	1st Class 1st oz. E.D.	
1960	8/1/58	4¢
1961		4¢
1962		4¢
1963	1/7/63	5¢
1964		5¢
1965		5¢
1966		5¢
1967		5¢
1968	1/7/68	6¢
1969		6¢
1970		6¢
1971	5/16/71	8¢
1972		8¢
1973		8¢
1974	3/2/74	10¢
1975	12/31/75	13¢
1976		13¢
1977		13¢
1978	5/29/78	15¢
1981	3/22/81	18¢
1981	11/1/81	20¢
1985	2/17/85	22¢

Year	3rd Cl. Single Piece 1st 2 ozs. E.D.	
1960	8/1/58	3¢
1961		3¢
1962		3¢
1963	1/7/63	4¢
1964		4¢
1965		4¢
1966		4¢
1967		4¢
1968	1/7/68	6¢
1969		6¢
1970		6¢
1971	5/16/71	8¢
1972		8¢
1973		8¢
1974	3/2/74	10¢
1975	12/31/75	13¢
1976	7/18/76	14¢
1977		14¢
1978	5/29/78	20¢
1981	3/22/81	18¢
1981	11/1/81	20¢
1985	2/17/85	22¢

3rd Class Bulk (Before Presort Program Initiated)

Year	Regular Bulk Min. Per Piece E.D.		Non Profit Min. Per Piece E.D.	
	1/1/59	2¢	1/1/59	1¢
1960	7/1/60	2.5¢	7/1/60	1.25¢
1961		2.5¢		1.25¢
1962		2.5¢		1.25¢
1963	1/7/63	2.625¢		1.25¢
1964	1/1/64	2.75¢		1.25¢
1965	1/1/65	2.875¢		1.25¢
1966		2.875¢		1.25¢
1967		2.875¢		1.25¢
1968	1/7/68	3.6¢	1/7/68	1.4¢
1969	7/1/69	3.8/4.0¢*	7/1/69	1.6¢
1970		3.8/4.0¢*		1.6¢
1971	5/16/71	4.04/4.2¢*	5/16/71	1.7¢
1972	3/12/72	5.0¢		1.7¢
	7/6/72	4.85/5.0¢*		
1973		4.8/5.0¢*		1.7¢
1974	3/2/74	6.1/6.3¢*	7/6/74	1.8¢
1975	12/31/75	7.7/7.9¢*		1.8¢
1976	7/6/76	7.7/7.9¢*	7/6/76	1.9¢
	7/18/76	7.5/7.7¢*	7/18/76	2.0¢
1977		7.5/7.7¢*	7/6/77	2.1¢
1978	5/29/78	8.4¢	5/29/78	2.4¢
			7/6/78	2.7¢
1979			7/6/79	3.1¢

* = 1st 250M pieces per year at initial figure

4th Class Parcel Post Local (Zones 1, 2, 3)

Year	E.D.	Per Pc.	Per lb. (1-5)	Year	E.D.	Per lb. (up to 2 lbs.)
1960	2/1/60	20¢	+2¢	1970	11/14/70	60¢
1961		20¢	+2¢			
1962		20¢	+2¢			
1963	4/1/64	25¢	+2¢			
1964		25¢	+2¢	1974	3/2/74	61¢
1965	1/15/67	25¢	+2¢	1975	9/14/75	67¢
1966		25¢	+2¢ + 10¢		12/31/75	77¢
1967			to nearest 5 or 10¢			
1968	10/19/68	45¢	+2¢ –			
			to nearest 5¢	1978	5/29/78	$1.15
				1979		
				1980		
				1981	3/22/81	1.38
				1985	2/17/85	1.41

Source: Direct Marketing Association, Inc.

3rd Class Min. Per Piece

(By Presort Category Beginning 1979)

Year	Bulk Rate Regular E.D.	Carrier Route	Five Digit	All Other
1979		6.7¢	n/a	8.4¢
1981	3/22/81	6.4¢	8.8¢	10.4¢
1981	11/1/81	7.9¢	9.3¢	10.9¢
1983	5/22/83	7.4¢	9.3¢	11.0¢
1985	2/17/85	8.3¢	10.1¢	12.5¢
	Non-Profit			
1980	7/6/80	3.2¢	n/a	3.5¢
1981	7/6/81	1.9¢	2.9¢	3.8¢
1982	1/10/82	4.0¢	5.0¢	5.9¢
1982	7/24/82	3.0¢	4.0¢	4.9¢
1983	1/9/83	3.3¢	4.3¢	5.2¢
1985	2/17/85	3.4¢	4.9¢	6.0¢

deliver, but the sender must still pay the Postal Service's fees. And, the private carrier may not place any material into the letterbox or mail slot.

For many third-class mailers who are sending out non-addressed, promotional pieces, it is efficient and less costly to place their ads in a see-through envelope which hooks over the doorknob. It ensures delivery to the household without the expense of sending it through the USPS. This practice is commonly referred to as "doorknob delivery" and is an accepted practice that does not conflict with the restrictions of private delivery of letters, since it is not addressed. *However, the mailbox may not be used.*

2. Regulations to Know

There are numerous suspensions and exemptions to the Private Express Statutes and a significant body of regulations concerning them. Before private delivery of any material which could even remotely be considered a letter (e.g., data processing material), these regulations must be considered.

The general outline of the regulations is contained in section 112 of the Domestic Mail Manual (which replaced the old Postal Manual on August 30, 1979). Specific, detailed regulations are contained in the Code of Federal Regulations, 39 CFR Parts 310 and 320. The Postal Service also publishes *Questions Answered on Private Express Statutes.* Both the regulations and the pamphlet can be obtained from the Assistant General Counsel, Legal Affairs Division, U.S. Postal Service, Washington, DC 20260.

Recent rules have been adopted by the Postal Service designed to tighten and modernize the application of the Statutes. Of particular interest to many direct marketers is the final rule adopted in August of 1980 which suspends the statutes for advertising circulars placed in parcels carried outside the mail. The Postal Service made a proposal in December 1978 which would have severely restricted—and probably destroyed—this important business. As a result of cogent arguments presented by the industry, however, the Postal Service decided that the proposed rule would be counter-productive, as would be the enforcement of existing laws restricting parcel inserts. Now, for the first time, there is no question about the legitimacy of this practice.

Use of the ZIP Code

1. History

A new method of mail sorting and distribution called the Zoning Improvement Plan, or ZIP Code, was initiated on July 1, 1963. It was intended primarily for business mail, but has gained widespread public acceptance and has contributed substantially to the increased efficiency with which a much larger volume of mail is now handled.

The *first* of the five digits indicates one of ten geographic areas; the *second* indicates a state or geographic portion of a heavily populated state, or two less-populated states within the geographic area; the *third* digit indicates a major destination point within the state; and the *last two digits* represent either a postal delivery station of a large city post office, a smaller post office served from a sectional center, or a single office building receiving large volumes of mail.

2. ZIP + 4 Code

ZIP + 4, also called the nine-digit ZIP Code, which was implemented on October 1, 1983, is primarily intended as a business system, designed to allow the Postal Service to introduce automation to sort the nation's growing volume of mail, 83% of which originates with the business mailer. The Postal Service emphasizes that ZIP + 4 will be an entirely voluntary program; no one will be required to use the expanded ZIP Code.

With only a few exceptions, the first five digits of the ZIP + 4 code are the old ZIP code. These numbers are followed by a hyphen and four numbers. The first two of the new digits identify a specific sector of a delivery zone, which may consist of several blocks, a group of streets, large buildings, or a small geographic area. The last two numbers divide sectors into even smaller areas called segments: one side of a city block or both sides of a particular street, one floor in a large building, specific departments within a firm, a cluster of mailboxes, sections of post office boxes, or other similar geographic groupings.

While the five-digit ZIP code enables the Postal Service to machine sort to the delivery postal office, ZIP + 4 will allow automated sortation directly to a carrier, reducing the sorting now done by clerks who must memorize the addresses delivered by each carrier.

At the originating office, optical character readers (OCRs) locate and read the city, state and ZIP Code, and special printing units apply a "bar code" on most letter size mail. The bar code, consisting of a series of vertical bars and half bars that correspond to the ZIP + 4 code, allows all subsequent sorts to be done by high speed, low cost bar code sorters (BCRs). This equipment will minimize manual reading and sorting, thus reducing costs through improved sorting speed, accuracy, and efficiency.

3. The Postal Service Discount for Use of ZIP + 4

Originally a five-cent discount for regular and five-digit presorted First Class mail was proposed. However, the Postal Rate Commission recently issued a Recommended Opinion calling for a .9¢ discount for regular First Class mail, and a .5¢ discount for mail presorted to five digits. As of this writing, the Postal Service Board of Governors has not yet decided whether or not to accept the Commission's decision. At any rate, discounts initially will apply only to First Class mail, though proposals have been made by DMA to extend it to Third Class mail.

The implementation of ZIP + 4 has been somewhat controversial since its inception. After a series of hearings and studies, Congress delayed implementation of ZIP + 4 in the Budget Reconciliation Act of 1981. That Act forbade the Postal Service from actually implementing the system until October 1, 1981. However, the Act allowed the Postal Service to take preliminary steps for implementation, including purchase of equipment. In the meantime, the General Accounting Office conducted a series of studies which, while pointing out some difficulties and questions, recommended that ZIP + 4 be implemented on schedule.

As of March 1985 significant changes in the ZIP + 4 discount structure were being considered by the Postal Service. Please check with DMA's Washington office for the latest information.

Selected Quotes in Support of Direct Mail

The persistent charge that Third-Class mail does not support itself and is subsidized by the other classes is, in fact, not true. All of the recent Postmasters General have testified to the fact that it does pay its way.

> ***There are those critics (who) operate under the misconception that their "regular" mail subsidizes your Third-Class mail. To that notion, I can only say that your mail is a treasure to the Postal Service.***
>
> ***What these critics conveniently overlook is that the direct mail industry pays its own freight—if you'll pardon the pun. The critics often do not understand that each class of mail pays the direct costs of the service we provide, and they do not realize that, without the crucial volume your industry provides, the rates of all other classes of mail may rise as we were forced to spread our fixed expenses over a lower base of total volume.***

Postmaster General William F. Bolger
Direct Marketing Day in New York
June 1981

> ***Direct Mail advertising is valuable business for the Postal Service. The revenue from this class of mail makes a large contribution towards the fixed costs of a delivery network that serves more than 70-million homes, farms and businesses. Without this volume, we would be forced to increase rates for letters and other classes of mail.***

Postmaster General William F. Bolger
DMA Government Affairs Conference
May 1978

> ***I have always looked upon your industry as a major distributor to our nation's gross national product.***

Representative James. M. Hanley
Testifying before the Subcommittee on
Postal Operations and Service on HR 7700
July 19, 1977

> ***Third Class commercial mail now pays its attributable costs and contributes more than $450-million toward the institutional costs of the postal system—the maintenance of 40,000 postal facilities across the land. If more costs are attributed to subordinate classes of mail and volume continues to decline, either the burden on the First Class mail user or on the taxpayer must increase. (Report of the Commission on Postal Service, Volume I, page 63, issued April 1977.)***

At the December 11, 1975, hearing conducted by the Privacy Protection Study Commission, Robert F. Jordan, then Director of the Office of Product Management for USPS, testified:

> ***. . . 16 cents out of every dollar earned by the Postal Service in the 1973 base year is traceable to the Direct Marketing Industry. Overall, the Postal Service earned 1-billion, 287-million dollars from services used by the industry that year. Of this amount, 793-million dollars was used to pay 100% of the attributable costs of the services we provided. The remaining 494-million dollars helped defray the institutional costs of maintaining the postal system.* Advertising mail not only pays its own way, but helps support the postal system for the use of other mailers. *(Emphasis supplied.)***

Services Provided by USPS

1. Customer Service Representative

Probably the most valuable service provided to mailers by the Postal Service is the Customer Service Representative, a consultant whose services are gratis for USPS' business customers.

The responsibilities of the customer service rep are varied. They include: helping a business set up its mailroom in the most efficient manner possible to insure a better flow of mail and advising businesses how to achieve the most economical mailing system—what type and size of metering machines are required for that particular usage, what size scales, letter opening machines, etc.

Upon request, seminars can be held in a business' offices to educate the company's staff on the different classes of mail available and the ways in which that company can take advantage of specialized services such as First Class pre-sort. Forms and procedures are also explained.

To obtain the name of the customer service rep in your area, contact your local Post Office.

2. Special Mail Services

Express Mail was established in October 1977. Three basic types of services are available: (1) Same day airport service is available between designated airport mail facilities. The Postal Service will refund the postage for any item that is not available for claim by the time specified, unless the delay is stopped by strikes or other work stoppage, delayed or cancelled flights, or government action beyond the control of the Postal Service or air carriers. (2) A custom-designed service that is available only on a scheduled basis between designated mailable-matter offices, airport facilities and all other addresses within designated 3-digit ZIP Code delivery areas. (3) Next Day Service is available at certain retail postal facilities with overnight service to designated destination facilities or locations for items dropped prior to the time set by the local postmaster.

International Express Mail is similar to domestic Express Mail except there is no service guarantee. Further information can be found in the *Postal Manual*, Section 180, "Express Mail" and Section 494, "International Express Mail."

Mailgram is another form of fast next-day service. It is a joint offering of Western Union and USPS. A message may be entered by a telephone call to Western Union or by filing at a Western Union public office. The message goes through the Western Union computer system to the serving post offices and is delivered with the next business day's mail.

Free mail for the blind and other handicapped persons is available for blind persons or others who cannot use or read conventionally-printed material because of a physical impairment. These people must be certified by competent authority as being unable to read normal reading material. Again, for further information, consult your *Postal Manual,* Section 138.

3. Electronic Computer Originated Mail Service (E-COM)

The Postal Service in January 1982 began experimental use of an Electronic-Computer Originated Mail Service known as E-COM. E-COM service permits volume mailers to transmit computer-generated messages via telecommunications carriers to 25 serving post offices throughout the continental United States.

There is a minimum quantity of 200 messages per transmission. The Postal Service receives messages in its own computers, sorts the messages in ZIP Code sequence for efficient delivery, prints the messages on paper and inserts them into specially marked envelopes. Messages are then delivered as First Class Mail with a maximum of two-day delivery time. E-COM will not necessarily provide quicker service than First Class Mail but it is intended to free the customer from costly printing and processing burdens.

The future of this type of electronic mail is somewhat clouded. In fact, E-COM has not generated the anticipated volume of business, and the Postal Service is trying to divest itself of the operation. The question of regulation of the entire electronic communications industry is being actively debated by business, Congress, and different branches of the Executive Department. It would be well to check with the DMA Washington office for the latest developments.

4. Postal Service Publications

The U.S. Postal Service publishes a number of books, pamphlets, newsletters and other material which are of immense value to the direct mailer. The bibliography of this *Fact Book* lists many of these publications.

Private Delivery

Since the Postal Reorganization Act of 1970, postal rates have increased dramatically, causing some mailers to search for alternative sources of delivery of their material.

1. Alternatives to First Class Letters and Priority Mail

Recently a number of alternatives to First Class letters sent via the Postal Service have been offered to the public. These are permitted under the Private Express Statutes provided they meet certain criteria. Federal Express, Purolater Courier, major airlines and others offer these services. They are expensive but provide viable service in direct competition with the Postal Service's Express Mail. Because these services are not available to and from all locations, the best idea is to check with local offices of the carriers mentioned to confirm service and rates.

Other alternatives to first class mail include:

- Use of telephone combined with electronic fund transfers and other electronic communications.
- Use of toll free "800" numbers for business transactions such as orders, reservations, etc.
- Advertising in newspapers, magazines or on television.

In the area of priority mail—those First Class (non-letter mail) shipments over one pound—there are numerous competitors ranging from United Parcel Service Blue Label (which offers two-day service from almost any point in continental United States) to a wide variety of other air forwarders such as Emery Air Freight. Shipments by these carriers are at rates competitive with the Postal Service priority mail rates. For example, a ten pound package from New York to Los Angeles costs $11.50 via UPS Blue Label and $11.70 via the Postal Service.

2. Publishers Move to Alternate Delivery

During the early 1970s, a number of large publishers began testing alternate methods of delivering their magazines and newspapers at reduced costs. Meredith Corporation, a forerunner in alternate delivery utilization, reached a crossover point in 1977, private delivery having become more economical than mail delivery for *Better Homes and Gardens.*

The *Wall Street Journal*, which was being privately delivered in 88 cities in 1980, now uses private distributors in at least 114 cities. Other publications, particularly heavy ones, have since realized a savings of up to 5¢ per copy on alternate delivery. The newspaper or magazine is often combined with delivery of national and local advertising material (thus holding down the rates).

Rates for alternate delivery have often been enough below Postal Service rates to interest publishers. The Postal Service, aware of this disappearing volume, has fought back by holding down rate increases on second class publications. Today you need to check with local alternate delivery companies to compare rates. See "Delivery Services" in your Yellow Pages.

3. Alternatives to Third Class Mailing

The private firms mentioned above can be of significant help in distributing some third class material such as merchandise samples and mass "saturation" mailings. Obviously, these private alternative companies have limited ability to deliver according to lists but, nevertheless, they should be examined for possible use. Again, we suggest you consult local organizations to determine services and rates.

4. Private Parcel Delivery

Private parcel deliverers handle about 80 percent of the nation's parcel shipments, with the United States Postal

Service delivering about 20 percent. These percentages represent an inversion from 1959, when some 80 percent of all packages were delivered by the United States Postal Service. The most familiar of the private parcel deliverers is United Parcel Service, which alone delivers slightly under 2 billion packages a year as compared to over 300 million in parcel post. Additional private parcel deliverers would include air freight shippers such as Federal Express and Emery; ground transportation, such as bus lines and trucking firms as well as the inter/intra city couriers.

Exhibit 11-4
ESTIMATED PRIVATE DELIVERY SYSTEMS STATISTICS

	1976	1977	1981	1982
Estimated revenues (all companies):	$1 billion +	$1 billion +	$1.5 billion	$2.245 billion
Estimated number of pieces of mail privately delivered (all companies)	8-10 billion pieces	10-12 billion pieces	35 billion pieces	35.4 billion pieces
Estimated number of private postal systems	5,000-10,000	5,000-7,000	5,000-7,000	5,000-7,000

5. Estimated Savings

Precise "savings" through private delivery are much more difficult to measure today because of the increasing use of private distribution as a marketing device. That is, the job being done by private carriers is evolving into a vastly different one than that being done by the Postal Service. For example, Meredith Corporation is routinely including direct advertising pieces, promoting products sold by other Meredith profit centers, along with privately delivered magazines. That practice, of course, isn't possible with mail delivery, making cost comparisons invalid.

In the same vein, an economic comparison of private delivery and mail delivery must not overlook revenues generated through marketing activities in conjunction with private delivery. Not only are revenues generated through the above mentioned practice, but, also, through private carriers' piggybacking local direct mail in a selective manner with the delivery of a particular magazine. By arrangement with the various publishers, the private carriers are able to offer local advertisers list selectivity of any one of the publications handled by that carrier. Typically, the carrier offers this selective delivery at 8 cents to 10 cents per household, paying the publisher 1 cent per household for use of that list. Not uncommonly, in some areas, five or six direct mail pieces may accompany the delivery of one magazine. Thus a publisher may be paying the carrier 15 cents to deliver a magazine but is in turn receiving revenue of five or six cents, effectively reducing his net delivery cost to nine to ten cents per copy.

Expansion of private delivery of magazines has slowed somewhat in the last two or three years because of the salutary effect private delivery has had on Second Class postal rates. Nevertheless, private delivery of magazines can be found in more than 30 cities or metropolitan areas throughout the country and is being done by both large and small distribution companies, the largest of which is Knight-Ridder (ADAMS), accounting for about half of all private delivery of magazines.

Another example of postal increases is that experienced by the book mailers. The average two pound shipment which cost 18 cents to mail in 1970 was raised to 86 cents in July 1979. Concerned with these exorbitant increases, Doubleday and other book publishers have been experimenting with alternate delivery systems since 1972. One attractive feature of private delivery of books is the ability to stock books with the private carriers, thus reducing fulfillment time, the shipment having been made in advance.

The severe increases in Postal Service rates for this classification of mail in recent years have brought the rates up to a level where the UPS rates, for example, are highly competitive with the special Fourth Class rates.

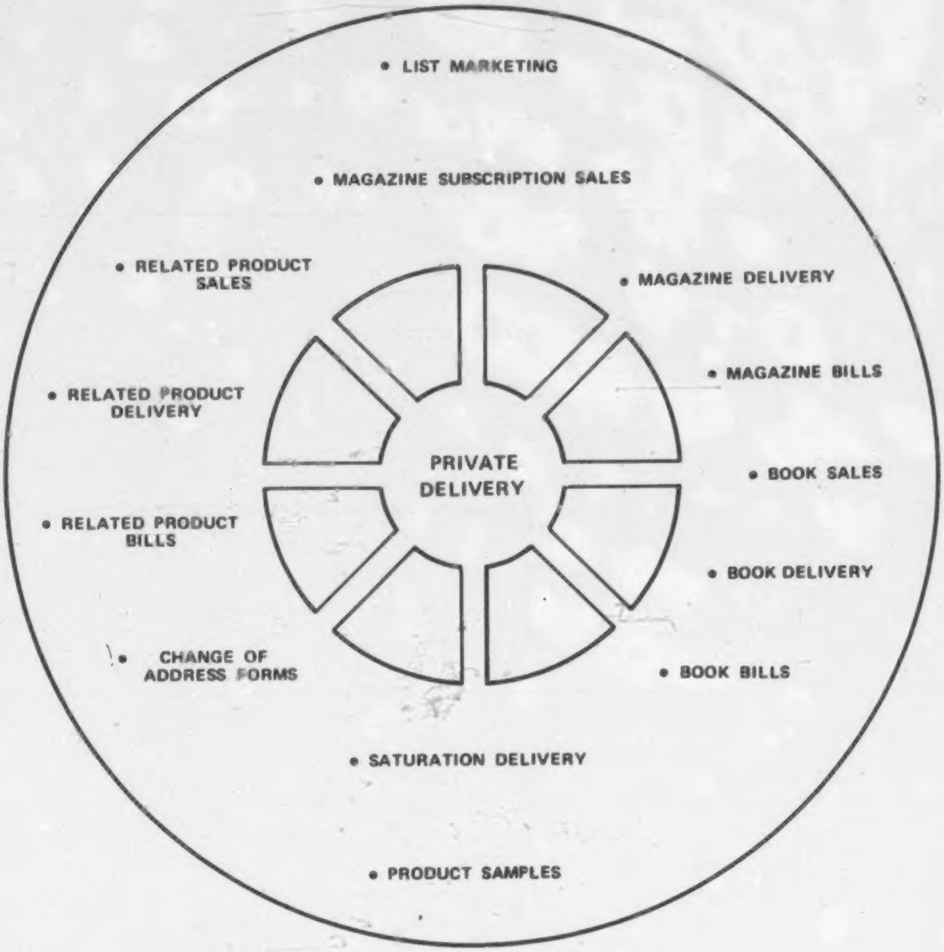
Rate competition is not the only factor to be considered. These carriers also compete on service. Features such as "next bus out" or UPS' $100 of automatic protection against loss or damage make the private sector increasingly attractive. Inquiry into these private carriers will produce service comparisons which show their standard service to be far superior to that of the Postal Service. Just to cite some examples, many private sector carriers provide pick-up of packages, signatures on delivery, tracing of packages and other attractive services. Many of these services are not available at all in the Postal Service or may have only limited application.

6. Distribution/Marketing

In addition to the marketing opportunities already mentioned, a wide array of other opportunities are presented through private delivery. A number of private distributors are routinely engaged in subscription selling, either as agents or in delivering subscription offers to publishers. Similarly, exciting results have been obtained through distributors functioning as agents in selling books, followed, of course, by immediate delivery of the product.

Another marketing opportunity, totally precluded through USPS delivery, is the inclusion of a product sample accompanying a magazine in which an ad for that product appears. These and other marketing opportunities are graphically illustrated in Exhibit 11-5.

Exhibit 11-5
DISTRIBUTION/MARKETING: PRIVATE DELIVERY, THE HUB


• LIST MARKETING
• MAGAZINE SUBSCRIPTION SALES
• RELATED PRODUCT SALES
• MAGAZINE DELIVERY
• MAGAZINE BILLS
• RELATED PRODUCT DELIVERY
PRIVATE DELIVERY
• BOOK SALES
• RELATED PRODUCT BILLS
• BOOK DELIVERY
• CHANGE OF ADDRESS FORMS
• BOOK BILLS
• SATURATION DELIVERY
• PRODUCT SAMPLES

12

Fulfillment And Customer Service

by Stanley J. Fenvessy, CMC
Fenvessy & Schwab, Inc.

"The customer is always right"
"The customer pays your salary"
"The customer comes first"

These slogans have been used by *businesses* over the years to emphasize the importance of properly serving the customer. Today, however, there are other voices that are promoting service. These are the voices of the *customers* themselves.

Customers today are better educated . . . are more demanding . . . are more attuned to consumerism . . . are of the belief that they are *entitled* to superior service. Nowhere has this become more evident than in direct marketing where the traditional one-on-one contact between buyer and seller has been replaced by a selling method in which the customer is asked to buy "blindly" from a picture and description.

The former "caveat emptor" or "buyer beware" method of selling has no place in direct marketing. Direct marketing is a "seller beware" business. Unless the seller satisfies and serves the customer properly, the transaction will be terminated by the customer, and it will be the seller's, not the buyer's, loss.

This chapter discusses how a direct marketer can best *serve* his customers, and, thereby, both avoid losses and keep customers happy.

Introduction

After the customer's order is received, the merchandise or publication must be delivered *promptly, completely* and in *good condition*. Providing customer satisfaction in that area is called FULFILLMENT. Answering customer telephone and mail *inquiries*, responding to *complaints*, and effecting *adjustments* for disappointed customers are referred to as CUSTOMER SERVICE.

In a business where *repeat* customers are the key to growth and profitability, these dual functions should be accorded equal importance in the creation of the direct marketing program and the selection of the products to be offered. It is, also, essential that fulfillment and customer service equipment and systems be in place and tested *before* either the launching of a new direct marketing business or the expansion of a new one.

Further, because fulfillment and customer service require more people, more space, more equipment and more computer time than all of the other facets of a direct marketing business, their execution can have a major impact on the company's bottom line.

Operating Standards

The following service and cost standards are being attained by the long-established and well-managed direct marketing businesses, whose operating systems have been carefully developed and refined. It is estimated that the combined sales volume of these efficient operators comprise about two-thirds of the total direct marketing business.

1. Delivering The Order

This refers to the elapsed time between the mailing of an order by a customer and the receipt of the merchandise. Most orders are *delivered* within two calendar weeks throughout the country and more quickly if the order is received by telephone.

Some of the very efficient companies process and ship 65 to 75 percent of their orders the same day they are received. The more typical practice, however, is to fulfill 85 percent of the orders on the day after receipt, providing a two-day, in-house turnaround. It is a proven axiom in mail order operations that companies meeting this service standard also experience low fulfillment and customer service costs.

Delivering the package within two calendar weeks has these advantages: (a) it satisfies the customer; (b) it reduces returns; and, (c) it contributes to lower costs.

2. Answering Customer Contacts

The ratio of subsequent customer service contacts (exclusive of returns) to the number of orders received is a good benchmark to evaluate the overall effectiveness of a fulfillment operation. In a well-run business, this should be between four and six percent. This means that for every 100 orders, a company will receive between four and six customer service inquiries, complaints, or requests for adjustments.

Similar to the standard for delivering merchandise, customers should receive an answer to these contacts within two weeks. Because first-class mail service is normally

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Note: Adapted from various "Questions & Answers on Fulfillment" columns published in *DM News*; "Fulfillment" chapter in *Direct Marketing Handbook*, published by McGraw-Hill; chapter "Giving Service To Mail Order Customers" in *Direct Mail Advertising and Selling For Retailers* published by NRMA, and chapter on "Fulfillment" in *The Retail Revolution: Direct Marketing*, published by the DMA, all by the author.

faster than package delivery, the actual response time achieved by most companies is ten days. Efficient catalog houses and publishers complete the three internal customer service functions of reading, researching, and responding in two days.

Providing the customer with a quick answer that is clear and responsive and making a fair adjustment should: (a) keep the customer happy and inclined to continue to do business with you; (b) reduce cost by abrogating additional correspondence) and, (c) forestall contacts from such consumer organizations as: governmental agencies, the Better Business Bureau, and the DMA's Action Line.

3. Completing The Order

The customer is *fully* satisfied only if *all* the items ordered are received in the initial shipment. Delayed shipments (back orders) and substitutions result in disappointed customers.

The percentage of orders that is completely shipped is called the "fill ratio." This ratio is approximately 95 percent in broad-based staple, hard goods, or gift businesses. The ratio drops to about 85 percent in fashion (apparel) operations, where a majority of the items is new, and there is a large number of size and color stockkeeping units. Direct marketers with high-fill ratios enjoy these benefits: (a) high level of repeat business; (b) lower operating expenses due to the elimination of the extra handling and shipping costs resulting from backorders; and, (c) fewer cancellations.

4. Receiving Returns

The very nature of the direct marketing business causes a large number of returns. These can result from: (a) customer dissatisfaction with the product; (b) late delivery; (c) wrong size or color; (d) fulfillment errors; (e) defective product or damage in transit; (f) package incorrectly addressed; or, (g) inaccurate description in the promotional material. The amount and reasons for returns are dependent upon both the type of merchandise offered and the efficiency of the fulfillment operation.

In a staple, hard goods, or gift business, returns ratios should not exceed eight to ten percent. The ratio in a fashion business is considerably higher, with some businesses experiencing 15 to 20 percent. In both cases, a minimum of one quarter of the returns should be exchanges for another product; the remaining three quarters would be refunds. Although returns cannot be entirely eliminated, these actions have proven to be effective in reducing the return ratio: (a) shipping promptly; (b) avoiding indiscriminate substitutions; (c) maintaining rigid merchandise and operating quality controls; and, (d) correcting deficiencies indicated when customers state their reasons for returning.

5. Operating Costs

The large volume of units, and the repetitive nature of fulfillment and customer service transactions have made *unit processing* cost control an effective expense management technique. All efficient direct marketers accumulate and publish the dollar amount of direct labor hours utilized in each step in the fulfillment process. This includes such functions as: mail opening and reading, data entry, warehousing, picking, packing, and shipping.

Although the unit cost for fulfillment service depends, to some degree, on the number of lines and dollar size of the order, many direct marketing businesses fulfill with a direct labor cost of less than $1.80 per order. This *excludes* overhead, internal credit and collection costs, packing supplies, printed forms, equipment rental, or outgoing shipping charges. Approximately one-third of the $1.80 is utilized for office type functions. The balance, or $1.20, is the physical fulfillment and warehousing labor cost. The unit labor cost standard for handling a customer service contact (either mail or telephone) is from 65 to 75 cents, depending upon whether research tools are hard copy files, microfiche, or an on-line computer terminal.

Developing unit cost standards and reporting performance weekly in comparison with those standards have these advantages: (a) keeps top management informed on expense trends in each operating unit; (b) sets realistic objectives for operating managers; (c) isolates problem areas; and, (d) facilitates budgeting and establishing shipping and handling charges.

Fulfillment Options

A number of *fundamental* alternative approaches should be considered in initiating or refining a fulfillment operation. Several of the key issues are discussed below.

1. Shipping Charges

Most direct marketers collect separate shipping and handling charges from customers. Notable exceptions are catalog companies such as L.L. Bean and Horchow, which include shipping and handling expense in the price of the products offered. Those that do charge customers generally plan for the total shipping and handling income to exceed the amount expended for outbound freight. This excess is considered a contribution toward reducing the overall fulfillment costs. Care should be exercised, however, not to set shipping and handling charges so high that customers will be discouraged from ordering.

There are five principal approaches to collecting shipping and handling charges:

a. Weight and Distance Calculation. The customer totals the weight, as shown in the catalog, of the items ordered and determines the shipping charge from a shipping cost table. The large catalog houses such as Sears and Wards use this method.

b. Flat Charge. The customer is asked to pay a single shipping and handling charge, regardless of the size, value, or distance involved. Some say this method discourages small orders; others say it stimulates the customer to buy more.

c. Per Item Charge. A flat charge is made for the first item, and another flat charge made for each additional item. The additional charge is usually lower than the first.

d. Related to Order Value. The customer uses a table on the order form to obtain shipping and handling charge based on the total value of the order. Usually, the percent of the charge decreases as order size increases. This method gives no consideration to distance, weight, or fragility of items ordered.

e. Keyed to Individual Items. A specific shipping charge is printed in parentheses immediately following the merchandise price. Here, costs can be related to nature and weight of items, but not to distance.

In determining which method should be selected, consideration should be given to these factors: (a) there has been a general increase in actual shipping costs and fulfillment expenses and in the charges made to customers to offset such expenses; (b) there is apparently little resistance by the customer to paying reasonable increases in shipping costs; (c) some catalogers have switched to the order value method with a reported increase in average dollar order; and, (d) several companies have added a separate insurance charge (usually 75 cents), in addition to the regular shipping charge, and have not experienced any decrease in orders or sales.

The type of shipping and handling charges assessed the customer can materially affect marketing results and the net fulfillment costs. Therefore, each of the available options should be carefully considered.

2. Inside or Outside Services

Because of the specialized requirements and large investment needed in personnel, facilities, materials handling equipment and data processing programs, a decision has to be made as to whether the fulfillment function will be performed *internally* or whether an *outside* fulfillment contractor will be used to handle all or a part of the fulfillment processing.

There are a number of basic alternatives available:

a. Contract Out Total Fulfillment Task. This begins with receiving orders by mail or telephone and continues through warehousing and shipping the product or producing magazine labels, including responding to customer service contacts.

Recently, several organizations have been established to provide this total service to catalogers. Such "service bureaus," as they are called, have been available to the magazine and publishing industry for many years. This approach frees management to concentrate on merchandise selection, catalog production, circulation development, inventory control, and, in the case of magazines, selling advertising and editorial.

b. Employ a Data Processing Contractor. In this alternative a contractor is used to receive orders, obtain credit approval, produce warehouse picking directives, maintain perpetual inventory records, and produce inventory control, marketing and financial reports. The direct marketer would, principally, handle the physical fulfillment and management functions. This approach eliminates the need to develop a manual order-processing system or to acquire computer hardware and software.

c. Utilize a Physical Fulfillment Contractor. This assumes the direct marketing company would perform its own order-processing functions. However, because of lack of space, equipment, or know-how, it would have its products shipped by an organization specializing in warehousing and order fulfillment. Here, the requirement to buy, build, or lease a distribution center is eliminated.

d. Use of a Telephone Contractor. The convenience and the toll free features of telephone ordering has markedly increased the telephone order volume in the direct marketing industry. The peaks and valleys, the time zone problems, the high equipment investment, and the problems of managing a fluctuating crew of highly trained operators have resulted in the establishment of a number of specialized telephone contractors. The effort and cost of creating an in-house telephone order taking function vs. the use of an outside contractor have to be carefully considered. Because outside services are purchased on a per-call basis, the use of such services are usually more economical than a small internal function, when considerations include all overhead, personnel and equipment costs. On the other hand, inside functions usually offer a more personal and responsive service to the customers.

e. Establish Own Fulfillment Function. This, of course, is the practice of almost all of the large, well established direct marketing businesses and of a majority of the small companies. With the availability of a wide selection of packaged computer order processing systems, an effective order processing department can be developed on a limited budget. Outside fulfillment services are widely employed in the publishing business, including by such major publishers as Hearst, McCalls, CBS, and most business publications.

There is no pat formula to determine whether an organization should use outside fulfillment services. Each situation has to be individually studied after considering such factors as: available capital; management know-how; and the time required to be totally operational. There are many examples of successful operations both inside and outside.

3. Billing Systems

Direct marketers can use one of three billing approaches:

a. Pre-Billing. In this approach, the customer's invoice is prepared before the merchandise is shipped. This system assumes the computer has correct inventory information, and that there is a predetermined shipping and handling charge. The invoice is either enclosed in the box or affixed to the outside of the package. If one of the items is found to be out of stock at the time of picking, the invoice is usually adjusted manually in the shipping operation.

b. Post-Billing. When using the system of post-billing, a copy of the warehouse picking document, showing method and cost of shipment and any inventory adjustments, is returned and rekeyed into the computer. A subsequent invoice is, then, prepared and mailed separately to the customer following the release of the shipment.

c. Combination. Some well-designed systems use a combination with prepaid orders being pre-billed, and credit card customers being charged through a post-billing procedure.

The selection of the one of the foregoing approaches is frequently based upon: (a) whether the company has a perpetual inventory system that can accurately determine whether the product is on hand; (b) the company wishes to bill the customer for the exact, rather than estimated, shipping charges and also show actual shipping date and carrier; and, (c) the company does not want to create manually adjusted invoices. With the availability of sophisticated computer packages, most direct marketers employ pre-billing. Post-billing is sometimes used for business-to-business sales.

4. Shipping Methods

Most direct marketing merchandise (about 85 percent) is shipped via United Parcel Service. UPS rates include $100 insurance. U.S. Postal Service is principally used when special rate programs provide substantial savings, such as for books, where the customer uses a P.O. Box number, and where shipments are heavy. There are two other shipping options that are available to direct marketers with considerable volume in two separate categories:

a. Mixed USPS Third Class Bulk. This requires 50 pounds or 200 parcels weighing under 15½ ounces each. Parcels are sorted into mail bags by either Bulk Mail Center or ZIP Code depending upon the volume. Charges are calculated on the total weight of the mail bags. Direct marketers using this program report substantial savings in shipping cost, as much as one dollar per package, with only a minor impact on delivery service.

b. Drop Shipping of UPS Packages. This refers to the transport of premetered parcels to a distant UPS Distribution Center using a company truck or a contract carrier. It is only feasible where a direct marketer has sufficient volume for a minimum of two truckloads a week to the remote entry location.

Both of the foregoing alternatives offer opportunities to reduce handling by the carriers and obtain lower overall shipping costs.

5. Order Picking Systems.

The physical fulfillment functions of receiving, storing, picking, packing, and shipping comprise the largest part of the total fulfillment cost. As stated previously, in most merchandising operations, they represent two-thirds of the order handling expense. The most critical function in the warehouse, and one which could involve considerable walking and handling, is order picking. There are six *basic* order picking approaches:

a. Individual Order Picking. Each individual order is picked by a filler going from one stock location to the next.

b. Multiple Picking. A number of orders are picked at the same time by one picker using a truck or cart.

c. Sequential Zone Picking. The order moves, by truck or conveyor, from one picking zone to another, and items are added by different pickers located in each zone.

d. Order Explosion and Assembly. The computer is employed to produce separate tickets for each unit on the order; picking is performed in batches; the individual tickets are affixed to the items; items are then sorted by individual orders at specified assembly/packing stations.

e. Automated Picking. Computer controlled equipment dispenses items from specially designed storage units to a conveyor which dumps the merchandise into boxes.

f. Paperless Picking. The order picker is directed by the computer to specific picking aisles by a visible lamp; a lighted indicator at the appropriate picking location in the aisle tells the picker what item to pick and in what quantity; after picking the item, picker pushes button on the module to report the pick to the computer.

A combination of two of the foregoing systems is also possible. For example, some companies employ order explosion for bulky items, pick smaller items in a sequential zone layout, and then assemble the individual orders. The selection of the proper picking system is dependent upon such factors as: order volume to be processed; average lines per order; size and fragility of the product; and frequency and extent of items with high unit sales.

Quality Assurance

An important element of managing for fulfillment excellence is to have sufficient quality control programs in place to assure that the customer is: (a) obtaining prompt delivery; (b) being accorded courtesy and competent treatment in all contacts with the company; and, (c) receiving the product in an appealing condition.

Successful direct marketers employ four techniques to determine whether their fulfillment is performing as expected:

1. Internal Quality Control Procedures

Here an independent quality control person or group is established to sample outgoing orders and correspondence ready for mailing to the customer. As a result of this routine, individual departments and workers can be evaluated by applying a quality control rating to the work sampled.

2. External Service Testing

Test orders are placed with the company and competitors, on a regular and continuing basis. Some of the merchandise ordered is then returned to determine how that function is performed. The tests are then summarized, and, as a result, the company has live data as to how quickly, courteously, and accurately each type of transaction is being handled.

3. Telephone Monitoring

Because of the high incidence of direct telephone contact with customers, direct marketing management has an unusual opportunity to obtain customer reactions first hand. This is not possible in retailing, where the store clerk or checkout cashier has a one-on-one relationship with the customer and monitoring is not feasible. Experience has found that, as personnel are made aware of the practice, they have an incentive to maintain a high level of consistent performance.

4. Customer Questionnaires

Many companies either include questionnaires in outgoing shipments or send follow-up letters to those who have been in contact with customer service. The questionnaires ask whether the customer was pleased with the product, the delivery service, the nature of the adjustment, and how the entire transaction was handled. In many businesses, the customers' responses are regularly reviewed by top management, including the president.

Practices, such as the foregoing, are widely employed by companies having regular contact with consumers such as: airlines, utilities, credit card operators, and consumer product manufacturers. Implementation of a quality assurance program has been proven over the years to be very effective in maintaining and upgrading customer relations.

Conclusion

There are many alternative approaches and systems available to assist you in achieving the operating service and cost standards previously discussed. A few selected options, in the most critical areas, have been presented in this chapter.

In sum, a *superior* fulfillment and customer service operation is the combination of well motivated people, using proper equipment in a pleasant working environment, and employing dozens of specialized operating and quality assurance techniques, peculiar to the direct marketing business.

13

Collection Procedures

by
Arthur Winston
Winston & Sherman, P.C.

Drawing upon twenty five years of experience in the collection field in the direct mail industry, it can safely been said that the three most frequently asked questions by credit and collection managers are:

1. How many collection letters are to be mailed?
2. How often should the letters be mailed?
3. How many telephone calls are to be made?

The solution rests on testing and plotting graphs, plus a little patience—the very same ingredients essential to successful direct mail marketing.

Credit Checking

Nevertheless, it is most advisable to first utilize some form of credit checking to hopefully avoid the creation of a bad debt. The extent of the credit check is, normally, based on the price of the merchandise or the amount of the order. If the order is substantial, the amount of credit checking can be substantial—in comparison to the amount of credit checking that a consumer marketer can perform when promoting an item that sells for $10 to $15. Credit checking is, also, affected by the sophistication of the person performing the credit check. It is recommended that a *credit checking manual* be prepared, and that it be carefully reviewed on a continuing basis to be sure it is current and being applied by the person doing the credit checking. Following is a list of credit checking procedures. The determination of which ones to use is based upon their cost compared to the amount of the sale.

1. Without question, a check or credit card charge received prior to shipment ("up front") is more reliable than selling on open account. Similarly, a credit card is usually more reliable than a check, since experience indicates that checks are returned unpaid more frequently than credit card charges are rejected.

2. When using a customer list other than your own, it should always be test mailed. Demographics should not only be obtained on how many sales the list promotes, but also on the bad debt factor.

3. Purchase orders should also be screened against an inhouse file of previous bad debts or an inhouse file of previous purchasers to determine if the last bill was paid promptly, what the customer ordered, and whether the customer has any open orders at this time.

4. The use of a credit checking agency or credit reporting agency certainly should be considered. All are helpful, and again, to what extent an agency is used is based on the amount of the order. The most well known credit reporting agencies are: Hooper Holmes, Equifax, TRW, Dun & Bradstreet, Claritas and the Fair, Isaac Companies.

5. Next to be considered is credit checking by use of a telephone call. By confirming a telephone, we confirm a telephone number, an address and a visible debtor. The call also confirms the fact the order was made and the accuracy of the order. In the instance of sales to businesses, the manner in which the telephone call is handled may indicate size and solvency. In consumers, attitude and sophistication may indicate credit worthiness.

6. Bank verification or reference verification is used when the order is substantial.

7. Finally, a very important credit checking device is order screening, commonly known as "eyeball credit checking." Some direct marketers use a point system where certain factors are assigned different weight:

Post office boxes in metropolitan areas are usually a debit.
Red ink and pencil are a debit.
Illegible handwriting is a debit.
Mistakes in addition are a debit.
Full name of corporation or individual is a credit.

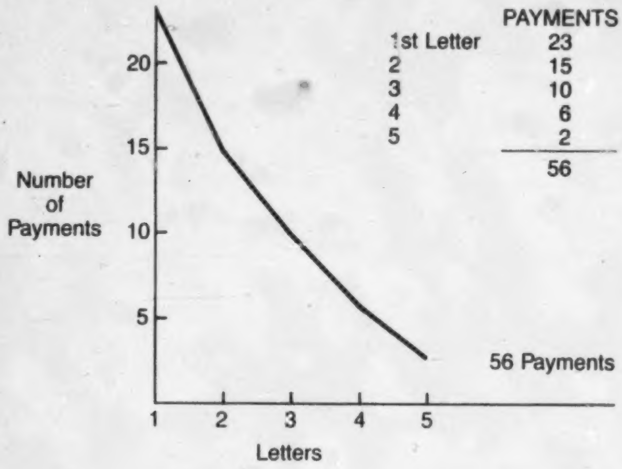
The importance of eyeballing an order form cannot be minimized, since, in many instances, this is the only credit checking available to the direct mail firm who is selling a low priced item.

The next obvious question is how do you arrive at the value assigned to the points, and at what point do you actually reject the order. A simple method is to allow ten or twenty orders to be approved with mistakes in addition and check later to see how many actually paid. This procedure may be used with order items on the order form. With these statistics a determination is made as to which items receive the smallest and largest values. If the percentage on one item is so substantial, then the appearance of this item on the order might warrant rejection of the order for this item alone. Rejection of other orders might require several items. A little mathematics will determine the magic threshold number.

Collection Letters

With regard to the question "How many collection letters are to be mailed," assume that 100 accounts remain unpaid at the 30 day aging, and preparations are being made to mail a series of *five monthly* collection letters commencing 30 days later. After the first letter is mailed, all payments received until five days after the second letter is mailed are monitored, i.e. 23 accounts paid. Five days after the second letter, monitor all payments received until five days after the third letter is mailed, i.e. 15 accounts paid. Then perform the same step for each letter until thirty five days after the last letter.

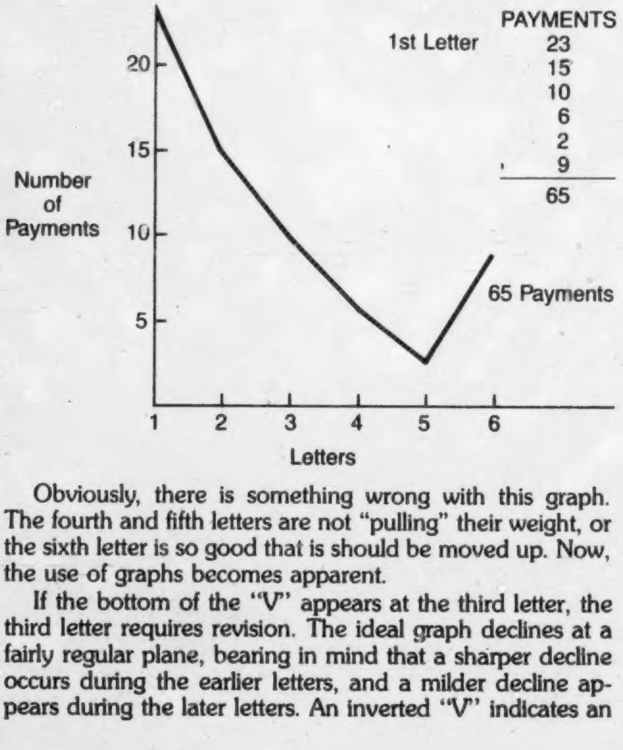
Consider the following graph as representing what took place:



	PAYMENTS
1st Letter	23
2	15
3	10
4	6
5	2
	56

This graph reveals that 56 of the 100 accounts paid over a five month period as a result of *five letters spaced approximately a month apart*, with the first letter being mailed on the 60th day after shipment.

Suppose a sixth letter is added and produces payment on nine additional accounts. The graph would appear as follows:



	PAYMENTS
1st Letter	23
	15
	10
	6
	2
	9
	65

Obviously, there is something wrong with this graph. The fourth and fifth letters are not "pulling" their weight, or the sixth letter is so good that is should be moved up. Now, the use of graphs becomes apparent.

If the bottom of the "V" appears at the third letter, the third letter requires revision. The ideal graph declines at a fairly regular plane, bearing in mind that a sharper decline occurs during the earlier letters, and a milder decline appears during the later letters. An inverted "V" indicates an unusually effective letter at the top of the "V" and a normal "V" indicates a weak letter at the bottom of the "V." The decline should level off gradually as the later letters are reached. A sharp decline in the later letters would be symptomatic of either an internal collection problem, or a sharp signal to refer the accounts earlier to a collection agency or an attorney.

Graphing solves the problem of whether a particular letter is effective, and, to some degree, when to stop writing letters. As the graph levels off and is producing minimal payments, perhaps this is the end of the letter writing cycle and other avenues of collection are to be examined.

A word about whether to measure the amount of dollars collected or the number of accounts collected. In this particular situation it is a more accurate barometer to measure the number of accounts collected. If a letter produces one payment out of twenty, and that payment is $500.00 as compared to an average ticket of $50.00, the letter is ineffective even if it did collect the one large account. An improved letter should produce the large payment, as well as other small payments. Using dollars as a measurement does not reflect the true performance value of a set of letters. Both the amount of payments as well the number of accounts collected should be graphed to provide a picture of the best of both worlds.

The more important question is whether five letters spaced one month apart will result in the best collection effort. The use of letters only two weeks apart may be more effective. Again, payments should be monitored from the date of mailing the first letter to a date five days after the date the second letter is mailed, etc. It may be more productive to mail a series of six letters two weeks apart, over a period of three months, commencing at 60 days after shipment of the merchandise.

There are basically four types of collection letters:

1. Notice letter—A simple reminder that the customer has not paid.
2. Customer Relation—The creditor asks why debtor has not paid.
3. Collection letter—The creditor insists upon immediate payment.
4. Final Notice—A further action will occur if payment is not made.

The question is how can a series of six letters be mailed, when there are only four types of letters. The solution is to mail two *notice* letters, two *collection* letters mixed in with one customer relation letter, and one *final notice* letter. On the other hand, a series of only two letters may be written by combining the notice letter with the customer relation letter and the collection letter with the final notice letter. Accordingly, any number of letters can be written, merely by contracting and expanding upon the four types of basic letters.

The best collection letter is written by the creditor. Plagiarism of letters written by other creditors, or from books furnishing examples of hundreds of different types of collection letters, is a very poor substitute for your own creativity. The best and most effective approach is to write your own letter, with your own choice of words, to reflect your philosophy and reputation.

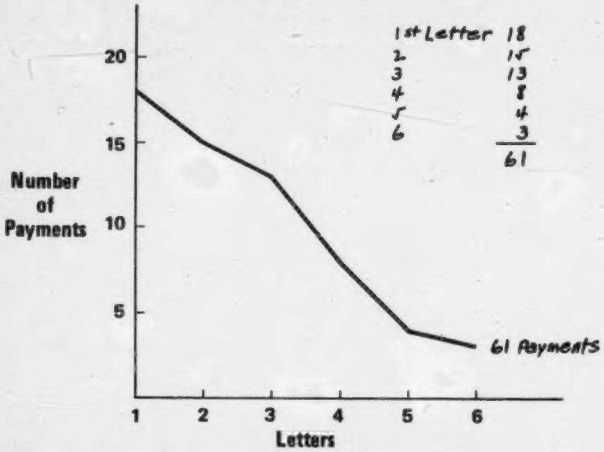
Recognizing that the last paragraph answers no questions but only sets forth a philosophy, the following concrete suggestions are submitted.

1. Short letters are preferred—no longer than four to eight lines.
2. Variation is recommended—from the length of the letter to the size of the stationery.
3. State what is important at the beginning—not the end.
4. Do not become too friendly or too harsh.
5. Chatty and cute letters are usually worthless.
6. The best approach is direct, businesslike, and to the point—the point being to obtain payment.
7. Remember that any consequence or action that is threatened must be carried out.
8. Change is important—color, print, layout, size, copy and style.

Returning to the question of how many letters should be mailed, consider the following payments received on 100 accounts, i.e.:

1st letter — 18 payments
2nd letter — 15 payments
3rd letter — 13 payments
4th letter — 8 payments
5th letter — 4 payments
6th letter — 3 payments

The graph would appear as follows:



After mailing six letters, 61 accounts were collected—substantially more than the 56 accounts that were collected after using five letters spaced one month apart. Certainly, the cost of mailing one additional letter is justified in the improved collection picture.

The reason the returns are poor for the first letter is because only 19 days are allowed for collection, instead of 35 days where the letters are cycled once a month. The graph levels for the last two letters. When two successive letters produce equal results, this may or may not be significant. If the graph retains its general declining features, the leveling ingredient is probably not germane. If there is a sharp decline to the first equal letter, revisions may be in order. The graph must be examined from two different perspectives. First, the performance of each letter must be compared to the prior letter and to the subsequent letter. Second, each letter must be evaluated with respect to its position in relation to the entire graph, and its place in the order of things.

When the performance of the last two or three letters level off, elimination of a letter should be the initial solution before considering a revision. It is possible that any revision may be futile, since the function of the collection letters may have come to an end. In fact, at this point, the exploration of other collection devices are in order.

The next step may be an effort to incorporate and blend the improvements. Schedule the first two letters a month apart and the last four letters two weeks apart. The result is a series of six letters, hopefully avoiding the poor performance of the last two letters by reason of the two week cycle. The results could improve dramatically. Perhaps, the first letter after 30 days, the next two letters two weeks apart, a suspension for 30 days, and, finally, the last two letters may be scheduled ten days apart.

The combinations are endless, but the magic key to success is to read and evaluate the graphs—and to continue testing. The letters to be watched are those that produce the best results over the shortest cycle. Three week cycles, ten day cycles, or even one week cycles are all available. Compression of the cycle time is advisable as the series of letters progresses.

One objection constantly raised is that compressing the cycle to less than one month (or two weeks) will not provide enough time to post the payments. Thus, the debtor will be receiving a dunning letter after he has made payment. There are several solutions. The problem could be ignored on the premise that the customer will recognize that a period of time must elapse before a payment is posted, and that the left hand of a firm never really knows what the right hand is doing. In most instances the customer does understand and merely throws the dunning notice into the waste paper basket. However, when the delay in posting is substantial, and the debtor receives two dunning notices after payment, the debtor may never become a customer again. If the posting system is up to date, the problems with the customer should be minimal—but if the posting system allows for delays, it may be necessary to add to the statement or dunning letter words to the effect that "if payment is made, please disregard this letter (statement)." While this may placate a disgruntled debtor, it definitely weakens the general collection effort. Certainly, an efficient posting system is more desirable.

Therefore, combining the best letters with a cycle that produces the best results is the utopian goal. It is rarely attainable, but continued testing will approach very closely to the desired objective.

Use of Telephone Calls

A word about the use of telephone calls. *The telephone call is the most effective and efficient tool available in the collection of a delinquent debt.* However, using the telephone call alone and without letters reduces the efficiency of the telephone call approximately 50 percent. Therefore, whenever the amount will support a telephone call, it is absolutely necessary that a telephone call be used in conjunction with properly-drafted collection letters.

What should be said during a collection call? Just as there are four basic types of letters, there are basically four types of telephone calls: the *notice call*, the *customer relation call*, the *collection call*, and the *final notice call*. The major and distinct difference is that the three or four components are incorporated into one telephone call as if we were combining the notice, customer relation, and collection letter into one letter.

First, the foundation is laid. The debtor is told how many statements were mailed, and how many letters were sent. The debtor is reminded that payment is long overdue.

Second, an inquiry is made to determine if there is any problem with the product or service sold. This should be handled in a very diplomatic manner, since the debtor may recognize that he may delay or avoid payment by claiming defective merchandise, shortages, etc.

Third, a strong effort must be made to insist upon payment. This is the true collection telephone call.

Fourth, the debtor is advised of the consequences in the event payment is not made—which is that the debt will be referred to an outside collection agency or attorney. Remember that promised action must be fulfilled.

If two telephone calls are scheduled, then the first three items are covered in the first call. In the second call, only items one, three and four should be included. One effort at customer relations is usually sufficient. Needless to say, if one call is scheduled, all four items should be included.

We also recommend that telephone calls, where possible, should be integrated with the letters so that a letter is mailed immediately after each telephone call. The reason is obvious. When the debtor receives the letter, the debtor immediately thinks of the prior telephone call, and the net effect is the production of a free telephone call.

One of the most important tools we recommend to our clients is the preparation of a telephone script for training a telephone worker. A script may be simple or list a multitude of situations. It may only contain the basics, or set forth how to cope with various situations, such as:

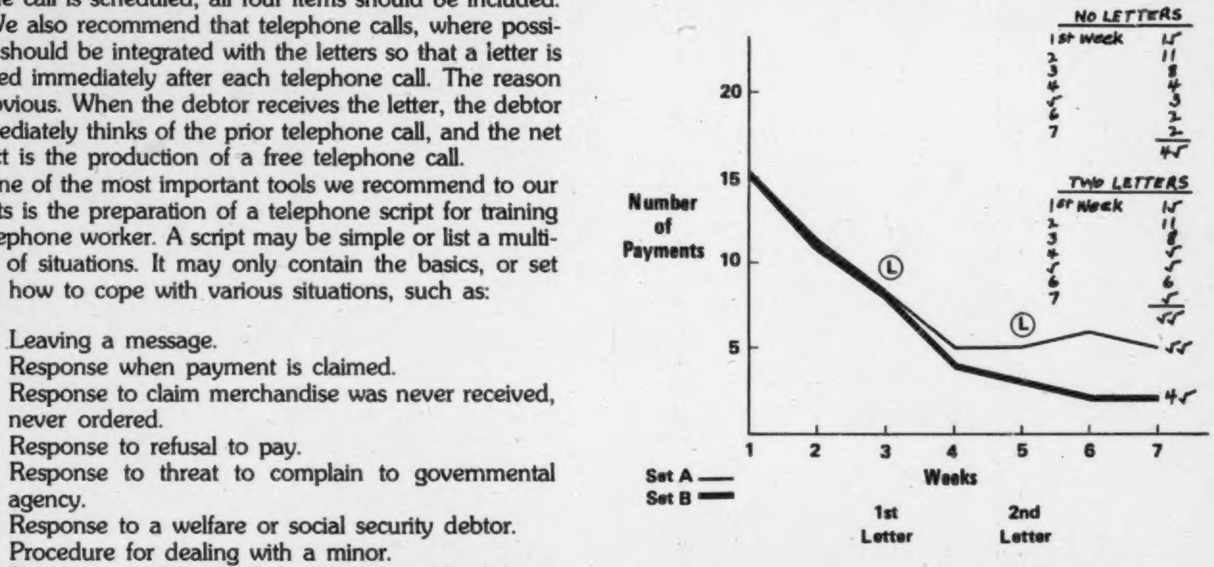
1. Leaving a message.
2. Response when payment is claimed.
3. Response to claim merchandise was never received, never ordered.
4. Response to refusal to pay.
5. Response to threat to complain to governmental agency.
6. Response to a welfare or social security debtor.
7. Procedure for dealing with a minor.
8. Response to "You can't get blood out of a stone."

The examples are only limited by the number of situations encountered. As the telephone calls are made, and the telephone worker presents the problems to the supervisor, a record should be made of each situation, and how it was handled. Recording this in a script will enable the next telephone worker to solve the problem quickly and efficiently.

One client decided to do away with letters entirely and confine his collection effort to telephone calls. The calls were made during the 45 day period after shipment. The results were phenomenal, or so the collection manager believed. The statistics disclosed receipts of about $400.00 collected for each hour spent on the telephone. At last, the perfect collection device. One month of telephone calling produced $75,000.00.

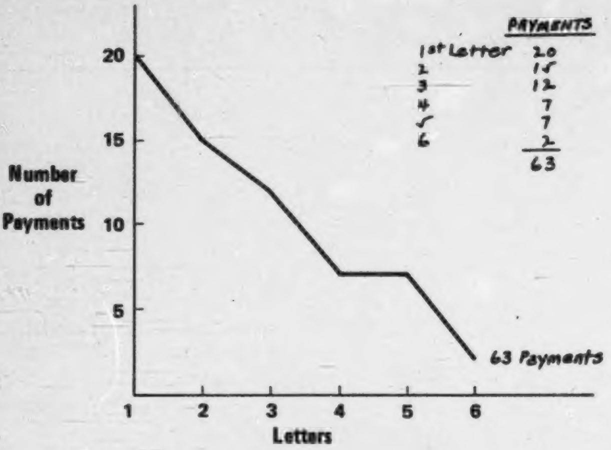
The bubble burst with just one simple question, "Compared to what?" If no collection effort of any nature was in place, and the customers were left to their own devices, perhaps $25,000.00 would have been received, since a certain number of customers would have paid without any prodding. If letters during the 45 day period would have produced $50,000.00, then only $25,000.00 could be allocated to the telephone effort. Using three letters instead of two letters during the 45 day period might have produced $60,000.00 at a fraction of the cost. Two letters and one telephone call might have yielded $80,000.00, and, even with this combination, the cost is substantially less than two or three telephone calls.

An analysis of the last paragraph should suggest a very basic tenet of all collection procedures, one that is often overlooked by the most sophisticated collection manager, i.e. *the most efficient collection for the least cost*. If the amount collected during the first 45 days without letters is substantially the same as with letters, then do not use letters. For example, consider a test of 100 accounts with two dunning letters (Set A) and 100 accounts with no letters (Set B). The graph might appear as follows:

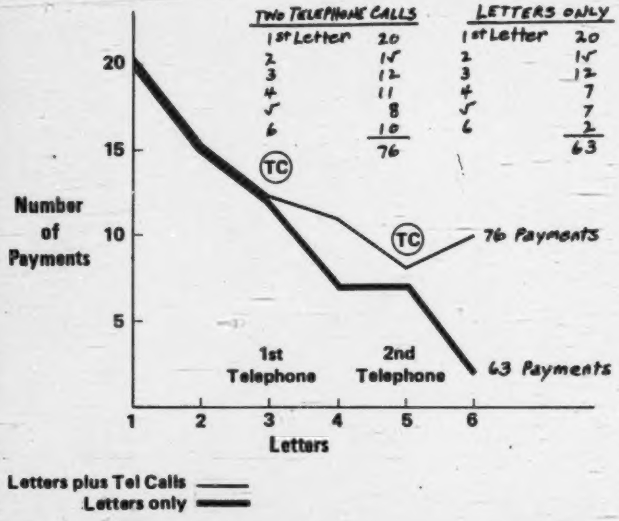


The obvious conclusion is that the first letter helped very little, since the graph leveled very quickly. The second letter seemed to improve payments. In addition, there is only a slight difference in results during the first three and one-half weeks despite the first letter. This may establish that no letter is warranted until after four weeks. The leveling signal toward the end of the cycle is the key to the evaluation and reading of the graph. This signal should trigger a new collection device. A typical test of

100 accounts with six letters, spaced one month apart, appears as follows:

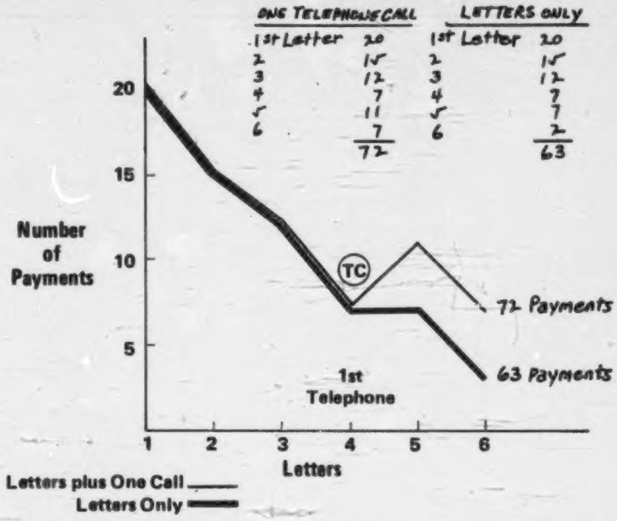


The telephone calls should commence between the third and fourth letter and a second call between the fifth and sixth letter. A letter is always mailed after a telephone call. As noted previously, when the debtor receives the letter, the debtor remembers the telephone call, and the net effect is two telephone calls for the price of one. This is far more efficient than telephone calls after the last letter. The graph might look like this:



The telephone calls improved collections. The fourth letter sustained the trend after the first call, and the second call increased payments through the sixth letter. The first call also contributed to the excellent production of the second telephone call. Whether a third telephone call and another letter are warranted can only be answered by continual testing and plotting. It is usually found that the third telephone call is not generally cost effective. If a debtor does not pay after two telephone calls, it is highly unlikely that the third telephone call will make a significant difference in his intentions. Nevertheless, this determination should be made by you, and not by what your competitors do.

Even a second call may not be warranted. Again, the graph must be plotted. Using the same letters as in the last graph, but only one telephone call after the fourth letter, the graph might appear as follows:



The net return may be almost the same, for the last two letters could very well sustain the one telephone call. Each firm is different, each product is different, each set of letters is different. Therefore, what applies to one firm does not apply to another firm. Testing and careful evaluation are the only answer.

A thorough appraisal of the results of the graphing will indicate whether a group of second calls should be implemented. This is not to be confused with circumstances that suggest that a second call would be useless, such as when the debtor refuses payment, hangs up the telephone, the business is in bankruptcy or out of business etc. In these individual circumstances, no second call should be made regardless of what the graph reflects.

Another point to remember is that each letter and each telephone call standing alone is economically profitable. The cost of sending letters to one hundred accounts always will cover the payments received, whether one letter or eight letters are mailed. The argument offered by those who send eight letters is that even the last letter produces payments in excess of the cost of sending the letter. While this statement is fundamentally true, it is not necessarily justification for mailing the eighth letter. The magic formula is not to make each letter cost effective. The key is to collect the most net dollars for the least cost. Thus, if a third telephone call produced $1,000.00, it would far exceed the cost of about $200.00 to make the telephone calls (telephone charges, wages, preparation of work, indirect, etc.). But is this the most economic and efficient procedure? In the following example, if the same accounts were referred to an outside collection agency or attorney, the outside agent may collect $2,000.00 over the same period. The fee charged by the outside agent could be forty per cent. The amount paid to the client would be sixty percent, i.e., $1,200.00. The expenses to refer the accounts might be $50.00, so the client would net $1,150.00.

In-house collection	$1,000.00	Outside agent	$2,000.00
Cost	200.00	Fee	800.00
			1,200.00
			50.00
Net Dollars	$ 800.00		$1,150.00

Thus, the firm nets $350.00 more referring the accounts to an outside agent. Of course, the calculations may prove that in-house collection is more effective. This approach is in accordance with our prior statement "compared to what?" It is, basically, the same principal to be used when deciding whether to employ telephone calls or letters. The only difference is that you are comparing internal efforts with different internal efforts.

Debt Collection Practices Act

Familiarity with the Debt Collection Practices Act is strongly suggested. Even though the act, passed in 1978, applies only to collection agencies, some states, and even New York City, have passed similar versions which do apply to creditors. In addition, other state laws also cover the same area, and these statutes do not omit creditors. Furthermore, if the act complained of violates the Debt Collection Practices Act, why should it make a difference whether a collection agency or a creditor committed the violation?

Copies of the act can be obtained from the Superintendent of Documents, Washington, DC.

* * * * * * *

In conclusion, the testing and careful evaluation of collection results is the only method to determine effectively the number and cycling of letters and telephone calls. Any other method is pure and simple guesswork. It is well known in the direct mail industry that guesswork is the surest step to financial disaster.

14

The Role of Financial Analysis in Direct Marketing

by David B. Shepard
David Shepard Associates, Inc.

This article will deal with three areas of financial analysis that are critically important to direct marketing companies:

1. Measuring, tracking, forecasting, and reporting the results of individual past promotions and budgeting future promotions.
2. Budgeting and forecasting profit and loss statements for entire product lines or business units
3. Managing and forecasting cash flows

These tasks are required in all kinds of mail order companies, including clubs, continuity programs, catalog mailers and mail order sellers, promoting individual products or services through solo-mailings. Companies who use direct marketing as simply another marketing tool, but are not 100 percent direct marketing companies, will also find this framework useful in measuring the effectiveness of their direct marketing programs.

Measuring, Tracking, Forecasting and Reporting

The key to managing a successful direct marketing company is the ability to measure the effectiveness of past promotions and to reinvest promotion dollars in profitable products and profitable media. In order for this to happen, a reporting system must be in place that accurately traces costs and revenues to individual media investments.

Each individual media investment, be it a list, an advertisement in a magazine, or a radio or TV commercial, must be assigned a code (called a key code) so that all responses can be traced back to that investment. In addition, the individual cost elements must be carefully assigned to properly measure the total cost of the investment.

The simplest form of direct marketing is the solo promotion. Exhibit 14-1 identifies the cost and revenue variables associated with a direct-mail package costing $300 per thousand pieces mailed (CPM) and promoting a product with a $60.00 price (P). The $300/M mailing costs includes the variable costs of printing and mailing the piece (including postage) and list rental and list processing charges. In addition, it is assumed that a fixed payment of $15,000 (FC) was made to an agency or freelance creative person to create the mailing package.

Other cost elements include: the cost of the product being sold (PC), the cost of fulfilling the outgoing order (FF), the postage and delivery expense net of any shipping and handling charges billed to the customer (D), the

Exhibit 14-1
ELEMENTS OF THE DIRECT MAIL P & L STATEMENT

Variables		Symbol	Value	Comments
Quantity Mailed	=	Q	100	(In Thousands)
Fixed Promotion Costs	=	FC	15,000	
Orders per Thousand	=	OPM	20	
Variable Promotion	=	CPM	300	
Return Rate	=	RR	0.10	On Gross Shipments
Bad Debt Rate	=	BD	0.15	On Gross Shipments
Product Cost	=	PC	15.00	Per Gross Shipments
Net Delivery Expense	=	D	1.50	Per Gross Shipments
Fulfillment Expense	=	FF	1.00	Per Gross Shipments
Return Processing	=	RP	1.00	Per Return Unit
Refurbishing Cost	=	RF	3.00	Per Reusable Unit
Desired Profit Percent	=	PFT	0.20	Of Net Sales
Price	=	P	60.00	Per Gross Unit
Percent of Returns Reusable	=	PU	0.50	
Contribution to Overhead & Profit	=	C		

expected return rate (RR), the costs of processing a return (RP), the percent of returns that are received in a reusable condition (PU), the cost of refurbishing a usable return (RF), and the expected bad debt rate (BD).

Exhibit 14-2 shows the elements of the Direct Mail Profit & Loss Statement. The P&L accounts are shown in the first column, the calculations required to produce the separate revenue or cost items in the middle column, and the P&L values in the third column.

Exhibit 14-2
CALCULATING THE DIRECT MAIL P & L

		Equations	**Dollar Result**	**Comments**
Gross Sales	=	P×Q×OPM	120,000	
Returns	=	P×Q×OPM×RR	12,000	
Net Sales	=	P×Q×OPM (1−RR)	108,000	
Cost of Sales				
Product Shipped	=	Q×OPM×PC	30,000	
Credits to Inventory from Returns	=	Q×OPM×PC×RR×PU	−1,500	
Return Processing	=	Q×OPM×RR×RP	200	On Return Units
Refurbishing	=	Q×OPM×RR×RF×PU	300	On Return Units
Total cost of Sales	=	Total	29,000	
Gross Margin		Net Sales — Costs	79,000	
Operating Expenses				
Delivery	=	Q×OPM×D	3,000	On Gross Shipments
Fulfillment	=	Q×OPM×FF	2,000	On Gross Shipments
Bad Debts	=	Q×OPM×P×BD	18,000	On Net Sales
Fixed Promotion Costs	=	FC	15,000	
Variable Promotion	=	Q×CPM	30,000	
Total Expenses		TOTAL	68,000	
Contribution to Overhead and Profits	=	Margin — Expenses	11,000	

As can be seen from the above, each line of the direct mail P&L is a simple algebraic equation. Therefore, the entire P&L can be expressed as an equation, and, if we assume values for all but one of the variables, we can solve for the value of that one missing variable. For example, if we wish to calculate the contribution to overhead and profit resulting from the example shown above, we would set up and solve the following equation:

$$C = Q \times OPM\,[P(1-RR-BD) - (PC+D+FF) - RR\,[(RP + PU\,(RF - PC))]\,] - FC - (Q \times CPM)$$

In this equation, the element P(1−RR−BD) which equals 60.00 × (1−.10−.15), or $45.00, represents the value of each sale which will actually be collected after returns (RR) and bad debts (BD) are taken into consideration.

The element (PC+D+FF) represents the costs of shipping the product to the customer. In this case, this is equal to (15.00 + 1.50 + 1.00), or $17.50. The element (RR[(RP+PU(RF−PC)] represents the net cost of handling a return. Based on the values from the above example, this amounts to (.10[1.00 + .50(3.00−15.00)], or −$0.50. The negative cost indicates that each unit returned results in a profit of 50 cents per original unit shipped—because the value of the unit put back into inventory exceeds the cost of processing the return.

The element (Q×OPM) represents the number of gross units shipped. In this case, the number of gross units is equal to 100,000 pieces times 20 orders per thousand, or 2,000 units.

From the above, we see that each unit shipped results in a contribution of $28.00 (45.00 − 17.50 + .50). Therefore, 2,000 units shipped will result in a contribution to promotion, overhead, and profits of $56,000.

Since the cost of the promotion is equal to $45,000 ($15,000 fixed costs plus $30,000 variable costs (100M pieces times $300/M), the contribution to overhead and profit resulting from the promotion is $11,000—as originally shown in the P&L example shown above.

Similarly, the equation shown above can be manipulated to solve for (Q), the number of pieces that would have to be mailed, assuming a response rate of 20 orders per thousand, and all of the other costs shown above.

$$Q = \frac{FC}{OPM\,[P(1-RR-BD) - (PC+D+FF) - RR\,[(RP+PU(RF-PC)]] - CPM}$$

Or, given the quantity mailed, the equation can be solved to determine the response rate required to break even. This response rate measured in orders per thousand (OPM) is:

$$OPM = \frac{(FC + Q\times CPM)}{Q \times [P(1-RR-BD) - (PC+D+FF) - RR\,[RP+PU\,(RF-PC)]]}$$

The above analysis solved for a contribution to overhead and profit. The analysis can easily be expanded to include either a profit factor or an overhead factor equal to some percentage of net sales. If we call this profit factor (PFT) and net sales is equal to Q×OPM×P(1−RR), then all of the equations defined above can be adjusted to include the profit factor, as follows:

$$C = Q\times OPM\,[P(1-RR-BD) - (PC+D+FF) - RR\,[(RP+PU(RF-PC)]] - FC - (Q\times CPM) - [Q\times OPM[P(1-RR)]\times PFT]$$

$$Q = \frac{FC}{OPM[P(1-RR-BD) - (PC+D+FF) - RR\,[(RP+PU(RF-PC)]] - CPM - [OPM\times[P(1-RR)]\times PFT]}$$

AND

$$OPM = \frac{[FC + (Q\times CPM) + (Q[P(1-RR)]PFT)]}{Q\times[P(1-RR-BD) - (PC+D+FF) - RR\,[RP+PU(RF-PC)]]}$$

Thus far we have only concerned ourselves with the economics of simple solo-promotions. Solo-promotions are considered simple because they are short-lived. The entire promotion is over in a period of months. It is, therefore, fairly easy to accumulate costs and revenues and accurately measure the effectiveness of the promotion. Other forms of direct marketing, clubs and continuities in particular, are much more difficult to evaluate, because the entire economic cycle can take place over a period of years.

In both clubs and continuity programs, the measurement problem is the same. First, the costs of acquiring groups of members from different media sources must be captured and permanently recorded. This process, generally referred to as front-end analysis, requires the calculation of a cost per order for each promotional medium used. The equation for calculating cost per order is:

$$CPO = \frac{\text{Total Promotion Expense}}{\text{Total Orders}}$$

The second part of this analysis, often called back-end analysis, is more difficult and requires computer tracking of the initial respondents so that a forecast can be made of the average expected contribution from the original starting group, expressed in terms of the average contribution per original starter.

If we call this contribution to promotion, overhead, and profit the order margin (OM), then we can define the order margin as:

$$OM = \frac{\text{Total Expected Contribution to Promotion, OH and Profit}}{\text{Total Orders}}$$

In clubs and continuities, the average member may stay in a program for 12 to 24 months, with many starters leaving much sooner, and some starters staying almost forever. Naturally, a club or continuity program cannot afford to wait this long to report on the results of a particular mailing or magazine insertion. Therefore, forecasts of the order margin are generally made at the end of four to six cycles of activity. Decisions to remail, or to go back into a particular magazine, are made on the basis of these forecasts.

Of course, the final measure of profitability is neither the cost-per-order or the order margin, but the combination of the two statistics. The contribution to overhead and profits is measured by the difference between the order margin (less any premium or gift expense) minus the cost-per-order.

Contribution to overhead and profits is a useful measurement tool because it combines both front-end and back-end statistics. All too often in direct-response marketing, decisions are made on the basis of front-end results only. This generally happens because front-end results are easy to obtain, while back-end results take more skills and time to accumulate.

As useful as the contribution statistic is, it is not useful as a measurement of relative profitability. Very often direct marketers are faced with the decision of choosing among two or more profitable media investment opportunities. The example shown in Exhibit 14-3 demonstrates that the highest rate of return does not always come from the investment opportunity with the highest contribution to overhead and profit.

Investment (A) results in a $10.00 CPO; a $20.00 order margin and a $10.00 contribution. Investment B produces a $16.67 CPO; a $30.00 order margin and a $13.33 contribution. Investment (A) results in a total contribution of $10,000, and investment (B), the investment with the higher order margin, produces only $8,000 in total contribution.

An easier way to rank investment opportunities, other than calculate the total contribution from each opportunity, is to calculate each invesment's return on promotion (ROP).

Return on promotion is calculated by subtracting the cost-per-order from the order margin (less gift expense), and dividing the result by the cost-per-order. Conceptually, you may think of the cost-per-order as an investment, and the order margin as the return stemming from that investment. Naturally, the investment itself has to be recovered before any contribution to overhead and profit is possible.

Therefore:

$$ROP = \frac{\text{Order Margin — Gift — Cost-Per-Order}}{\text{Cost-Per-Order}} \times 100\%$$

Exhibit 14-3
USING ROP TO EVALUATE INVESTMENT OPPORTUNITIES

	Case A	Case B	Comments
Media Investment	10000	10000	Given
Starters	1000	600	Given
CPO	10.00	16.67	Media Investment ÷ Starters
Order Margin	20.00	30.00	Given
Contribution to OH × Profit Per Starter	10.00	13.33	Order Margin — CPO
Total Contribution to OH × Profit	10000	8000	Unit Contribution × Starters
ROP Percentage	100	80	(Contribution to OH × Profit ÷ CPO) × 100

Sophisticated mail order companies, particularly clubs and continuity operations, have systems which forecast the expected ROP for all of their past media investments. These individual forecasts of ROP make up a mail order company's database of past performance. From this database, a mail-order company can make rational decisions as to how to invest future promotion dollars—which brings us to our second subject.

Budgeting and Forecasting the Profit and Loss Statement

In most mail order companies, the annual budgeting process begins with a forecast of the future sales and profits that can reasonably be expected from the existing customer list, or house file, without consideration of additional new member or new customer acquisition programs. In other words, what would next year's sales and profits be if no new customer activities were made—if we simply "mined" the current list?

For a club or continuity business, this is a relatively easy question to answer, with the aid of a computer, knowledge of past attrition patterns (the rate at which customers can be expected to leave a program), and buying patterns (the rate at which the remaining customers can be expected to purchase).

In a continuity operation, the price of the periodic shipment has been established, and, barring a decision to increase prices, the key forecasting questions are the expected attrition rates, return rates, and bad pay rates. Given a good database of information regarding past patterns, the forecasting problem becomes simply a problem of "crunching" the numbers. Of course, the more information one has about the existing membership base, the more accurate the forecast can be, provided the computer systems are in place to process the data.

For example, continuity marketers know that members recruited from direct mail will generally behave better (buy more and pay for more) than members recruited from space advertising; that space-recruited members will, in turn, perform better than members recruited from TV broadcast media; and so on. Therefore, a forecasting system that can take these and a host of other differences into account will naturally produce a more accurate forecast.

Companies in the negative option club business have a more difficult forecasting task. In addition to all of the above, the prices and the acceptance rates of future selections must also be forecasted. Often, the actual products to be offered to the membership will not be known more than a few months in advance, so forecasting programs must rely on assumptions as to how future performance will compare to past performance.

Mail-order catalog companies face an even more difficult forecasting job. In addition to all of the product selection, acceptance, and pricing problems faced by a negative option club, a mail-order catalog operation must decide how many catalogs to mail during the coming year, and to whom.

One answer, after deciding on how many different catalogs to produce (itself a very difficult economic decision), is to mail every catalog to every customer on the house file. But, catalog operators long ago discovered that the probability of any house-file customer buying from the next catalog mailed is not the same for all names on that file.

What's more, this probability can be measured, or at least estimated, by statistically looking at such variables as: the length of time since the last purchase, the value of the last purchase, the value of all purchases over a series of given time intervals, the number of purchases made within specified periods of time, the kinds of products purchased in the past, the original source of the name, census-gathered demographic information, and survey information provided by the customer.

The statistical tools used to evaluate this information can vary from simple sorts—combining all customers who purchased $X.XX worth of products within the last X months, and comparing their behavior to that of other selected groups—to very sophisticated multi-variate analyses. A thorough discussion of the statistical techniques available to catalog mailers is beyond the scope of this article, but the point to be stressed is that financial analysis covers much more than the simple calculation of the profitability of a single mailing.

Now let us return to the subject under discussion, P&L forecasting, and let's assume that a plan to market to the existing customer file has been approved and budgeted for, and that a forecast of the expected sales and profits resulting from that plan has been made. A plan to recruit new customers or members from outside media must now be designed and approved. Generally, new club, continuity or even catalog customers will be recruited at a first year's loss to the business. Again, the mail order company is making an investment in new business, in new club members, in catalog buyers.

The role of financial analysis in this situation is to develop a new customer acquisition plan that will be profitable over the long term and to forecast the impact of that plan on the current year's fiscal results. Very often, the most profitable long-term plan will not be chosen because of its affect on the current year's forecast.

This balancing act, weighing long-term profitability against short-term profits, is a key activity of the direct marketing financial analysis department. The key tool at the disposal of the financial analyst is the ROP history file described above. As a very first step, the analyst will attempt to budget promotions with the highest ROP. To the extent that funds are available to invest in profitable promotions, the analyst will recommend doing so, until the point where the expected ROP is equal to the company's cut-off rate or cost-of-capital.

Very often, the budgeting scenario begins with a forecast of what would happen if the company invested in all opportunities with an expected ROP greater than the cut-off rate. If this scenario results in an acquisition budget that can be financed, and an acceptable projected statement of profit or loss, then the new member acquisition plan may be approved. More often than not, the company will not be able to finance all of the opportunities available to it, or will not be willing to take the risk required to do so, or will find the resulting projected P&L to be unacceptable.

When this happens the process of pruning the new member-acquisition budget begins, and the process will end when a reasonable, affordable, and acceptable P&L forecast is achieved.

Thus far, we have concerned ourselves with the measurement of profit, be it the profit from a single promotion, from a group of members over their economic lives, or the profits from an entire operating division over the course of a fiscal year. However, financial analysis is equally concerned with the forecasting and the management of cash.

Managing and Forecasting Cash

Financial analysts and even general managers employed by mail-order divisions of major corporations are frequently more concerned with reported profit than with cash; the assumption being that "the company" will finance any activity that is profitable. Smaller mail-order companies more clearly understand that profits are only half the battle, at best. In fact, more companies probably fold or are forced to sell because of poor or inadequate financing, than because of the underlying profit potential of the business.

Office space and warehousing facilities have to be rented, salaries paid, inventories purchased, promotions made, etc., all in advance of the first sale, which then may take 60 to 120 days (if not longer) before turning into cash. Therefore, financial analysts spend, or should spend, an equal amount of their time forecasting cash receipts and disbursements.

Again, mail order catalog companies have the most difficult tasks to perform because of the large number of products that must be kept in inventory. Accurate estimates of sales and delivery lead time are critical to the success of any mail-order business. Too small an inventory will result in costly back-order situations and unhappy customers. On the other hand, over-stocking and unsold merchandise will certainly result in eventual bankruptcy. Understanding the business, the ability to forecast and closely manage inventories, receivables and cash are the keys to success in the direct-marketing business.

Finally, experience has proven that any company wishing to enter the mail-order business, be it a new club, catalog, continuity business, or magazine, should be prepared to sustain a cash loss of at least one million to three million dollars. You may be able to do better, but it's always best to plan for the worst.

15

Government Regulations and Legislation

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Privacy

1. Use of Lists

Sensitivity to privacy concerns continues to raise periodic problems regarding access to mailing lists. Invasions of privacy during the Watergate era led Congress to pass the Privacy Act of 1974, which, in turn, created the Privacy Protection Study Commission (PPSC). This Commission was charged with examining list rental and exchange practices and deciding whether or not "an organization engaged in interstate commerce should be required to remove from its mailing list the name of an individual who does not want to have his name on it."

The PPSC issued its recommendations in 1977, stating that mandatory federal legislation to regulate use of mailing lists was not necessary at that time. However, the Commission urged mailers to disclose, voluntarily, their rental practices and to give individuals an opportunity to have their names removed from lists before rental takes place. The state governments were urged to survey their name rental practices, also, with particular emphasis on the lists of the motor vehicle departments.

DMA worked closely with the Commission for two years including testifying at hearings.

The privacy issues involved with access to state controlled lists continue to be a major DMA concern. Moreover, renewed interest in list access in some states and. also, at the Federal level, has been generated by the emergence of cable TV and the new technologies. While this phenomenon is introducing new and exciting marketing opportunities, it is also giving rise to proposals to limit access to potentially valuable cable subscriber lists. DMA has been involved at both the Federal and state levels to oppose or appropriately amend proposals to restrict access to subscriber names and addresses and other individually identifiable information.

2. Role of the Mail Preference Service

Perhaps the main reason the Privacy Protection Study Commission stated that no federal legislation was needed in the list rental area was due to the existence of the Mail Preference Service. This service, begun in 1971, offers to remove consumers' names from mailing lists before list rental takes place. Consumers also may request information on how to obtain additional mail. Initiated, maintained, and promoted by DMA, MPS has achieved great acceptance by consumers and by agencies dedicated to assisting consumers, such as the Federal Trade Commission, USPS, The White House Office of Consumer Affairs, and state consumer affairs departments.

Over the years, more consumers have asked for "more mail" than for "less mail." The 1984 MPS statistics support this fact: 60,543 consumers asked to have their names removed from mailing lists compared to the 81,490 individuals who asked for more mail.

DMA also has urged individual companies to follow the other recommendation of the PPSC, which is that companies disclose their rental practices to their customers. Individual visits, use of a film called "Privacy, Freedom and the Mails," and wide distribution of a booklet entitled, "Do You Want the Freedom to Mail or Do You Want the Government to Run Your Business" all contributed to this educational process. Experience has shown that disclosure notices have produced only a small percentage of people who ask to have their names removed. In fact, a list which has been purged of those not wanting to receive advertising mail becomes more valuable than one which has not been run against the DMA master tape.

A new self-regulatory effort, the Telephone Preference Service (TPS) was introduced in January 1985 to assist consumers who prefer not to receive calls from national telemarketing firms. TPS is patterned after the Mail Preference Service: consumers writing to TPS will have their names and telephone numbers removed from the lists used by TPS subscribers.

3. Access to State Lists

While the Federal government cannot mandate legislation for individual states, the PPSC did recommend that the use of state lists be scrutinized. The number of bills which would restrict use of motor vehicle registration and licensed driver lists has escalated in recent years ranging from 20 to 30 a year. In addition, proposed restrictions on the release of voter registration lists and lists of professionally licensed individuals maintained by the states have also surfaced. DMA is fighting hard to keep these lists available for rental, marshalling support from member companies located in appropriate states and employing lobbyists as needed. These joint efforts were particularly successful this past year in Illinois and Kansas, where testimony from DMA and members companies was influential in determining the favorable outcome in two important list issues.

4. How To Keep a Name Off A Mailing List[1]

"If an individual does not want to receive unsolicited direct mail he can keep his name off most lists by becoming a modern-day hermit—by paying cash for all his purchases, not owning a car, giving to charities anonymously, always buying magazines at newsstands, never responding to a door-to-door survey, never signing a petition or a guest book, never registering to vote, and never attending a meeting, conference, or newsworthy social event. Even so, he may still get a certain amount of unsolicited mail addressed to 'Occupant,' but not much because 'Occupant' mailings are not selective enough for most mailers.

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[1] Excerpted from the July 1977 Privacy Protection Commission's "Report on Mailing Lists."

"There are, to be sure, less anti-social ways for an individual to choke off his direct mail traffic, provided he knows of them. The Commission learned of four others: an individual can send a personal letter of objection to every organization he suspects is renting or otherwise making his name available to direct mailers; he can exercise the 'negative check-off option' that some organizations offer him; he can lodge his request not to receive mail with the Mail Preference Service, a centralized delisting program operated by the Direct Mail Marketing Association; and he can use the delisting service the Post Office maintains for individuals who do not want to receive obscene advertising. What he must NOT do, if he wants his correspondence to have any effect, is write to the organization that sends him unsolicited mail without having first established a relationship with him, because, as explained earlier, the user of a list normally does not have his name until he responds to its advertisement or solicitation. Moreover, he must NOT ask that his name be REMOVED from the mailing list, but rather that in the records used to develop the mailing list a notation be put *next* to his name indicating that he does not want it to be used for direct mail marketing or solicitation. That will assure that his name will be omitted from any list another organization is permitted to use."

Federal Trade Commission

Because the industry is growing at an unprecedented rate, increased Federal monitoring and enforcement presence can be expected. This may mean FTC actions for civil penalties against businesses who fail to comply with the Commission's rules affecting direct marketing.

At the same time, the FTC is working together with industry to encourage effective self-regulation. For example, DMA in a joint venture with the FTC launched the first of its kind consumer education program on shopping by mail with the 1981 publication of the booklet "Make Knowledge Your Partner in Mail Order Shopping."

The booklet, which is available from DMA or the FTC, informs consumers about their rights and offers tips on mail order shopping. It advises consumers to check a company's return policy before ordering, to keep complete records of orders, never to send cash through the mail, what to do if a prepaid order does not arrive when promised, what "negative option" means and more.

DMA has also cooperated with the FTC Bureau of Consumer Protection in its more recent publication of the "Business Guide to the FTC's Mail Order Rule." DMA served as a resource to review the FTC's original copy of the Guide and to provide comments and editing recommendations.

The Guide, issued in 1983, is designed to assist businesses in complying with the Commission's Mail Order Rule. It clarifies the Rule's intentions and straightforwardly explains mail order sellers' responsibilities under the Rule. Several excerpts from the Guide and sample option notices are included in the following section detailing the requirements of the Mail Order Rule.

The Business Guide is, also, available from both the DMA or the FTC.

1. Delayed Delivery of Mail Order Merchandise (30-Day Rule)

Violation of this FTC rule, which went into effect on February 2, 1976, is an unfair method of competition and a deceptive practice.

The Mail Order Rule *covers* merchandise ordered by the buyer through the mails. In addition to direct mail advertisements, the Rule also covers solicitations by space advertising, radio, television, catalogs, telephone, etc., that are asking for mail order purchases.

The Rule does *not apply* to orders of seeds and growing plants, C.O.D. orders, negative option plans, or credit transactions where the seller does not charge the buyer's account prior to shipment and photoprocessing. In addition, the Rule does not cover charges to a credit card account, when the order is placed over the telephone and charged to a credit card number.

The Rule:

Unless there is a reasonable basis to believe goods will be shipped within 30 days of receiving a properly completed order, an advertisement should include a clear and conspicuous notice of the time in which the seller expects to make shipment. "Please allow eight weeks for delivery" is an example of a proper notice. If no notice is given, the Rule stipulates that shipment must be made within 30 days. Procedures are also provided to enable buyers to cancel for delayed delivery and obtain a refund.

When does the 30-day period start?

Upon receipt of a properly completed order. With any sale, the 30 days start when an order is received containing all the information needed to process and ship the order. In a credit sale, the order is properly completed when the seller charges the buyer's account. In a non-credit, or cash sale, the order is properly completed when the seller receives full or partial payment.

Notice of Delayed Shipment

If shipment cannot be made within the implied 30-day period, or the stated period, a notice of revised expected shipment date *must* be sent to the buyer:

- By first class mail before expiration of the original 30-day period
- With a postage-paid reply form for the buyer
- Notifying him of the revised shipping date and offering the option of consenting to the delay or of cancellation and a refund
- Informing him that unless the seller receives—prior to shipment and expiration of the revised date—a response rejecting the delay, the buyer will be deemed to have consented to the delayed shipment

Delay of 30 Days or Less

No reply by the buyer means acceptance of the new delivery date.

Delay of More than 30 Days
No reply within the 30-day period must be treated as a request for cancellation and refund. If the revised shipping date cannot be met, a second notice must be sent offering the buyer the same options. With the second notice, no reply within 30 days requires a cancellation and refund (unless shipment has been made).

Refund
Cash sale: sent within seven working days of receipt of a request for cancellation or the date of implied cancellation, by first class mail. It must be with a check, cash or money order and cannot be a credit slip for other merchandise.

Credit sale: removal of the charge on the buyer's account must be within one billing cycle from receipt of the request for cancellation or the date of implied cancellation.

Systems of Compliance
The rule requires records, or other documentary proof, establishing that systems and procedures assure shipment in the ordinary course of business in the time period advertised; or, if none is stated, within the implied 30-day period.

Lack of documentary proof of an established system, raises a rebuttable presumption: namely that the seller lacked a reasonable basis for any expectation of making shipment within the implied or stated time.

Answers To Most Commonly Asked Questions About The "Mail Order Merchandise" Rule

Why did the Federal Trade Commission promulgate this regulation?

The Commission felt that the quantity of complaints they had on hand, in addition to reports they were receiving from various consumer affairs offices in states around the country, indicated there was a widespread failure of consumers to receive merchandise, to receive merchandise in the time they expected to receive it, or to get answers to inquiries about where that merchandise was or how long the delay would last. In fact, a good number of complaints dealt with non-delivery rather than with delayed delivery, and thus involved companies that were out of business, illegitimate, etc. The same was true regarding requests for refunds.

What information does the Rule require me to include in my solicitation?

You must indicate when you expect to be able to ship the order, and you must have a reasonable basis to make that representation. The expected shipment time must be stated in a clear and conspicuous manner. If you do not indicate a time period, it is assumed that you are promising to ship within 30 days of receipt of a properly completed order, and have a reasonable basis to meet that shipment time as well.

What does the Federal Trade Commission mean by "clear and conspicuous?"

The rule does not specifically define "clear and conspicuous," therefore good judgment is necessary to avoid violating the spirit of the regulation.

What does reasonable basis mean? How do I establish I had a reasonable basis?

You draw on past experience from your fulfillment operation and operation schedules, among other possibilities. You may rely on records to indicate your expectation was indeed a reasonable one.

How can I announce expected shipping time in a catalog where the delivery time may vary greatly depending on the item? Do I have to put an expected delivery time to each item?

You will be interested to know that the FTC doesn't consider this to be a major problem. They suggest that in most catalogs the great majority of items will be delivered in a time frame that could be on the order form. Those items that take longer should be referenced in some way and the delivery time also indicated in a conspicuous place.

Does the rule apply as soon as the order is received?

Yes, but remember the Rule specifies the receipt of a "properly completed order." The Rule indicates that a properly completed order takes place when the seller charges the buyer's account, receives full or partial payment, with an order that contains all the information necessary for the seller to process and ship the order. Thus, the seller would not be responsible for orders that are illegible, have an incomplete name or address, or contain improper remittance. It is in the interest of sound business practice to inform the consumer when orders are found to be incomplete. It is wise to retain those incomplete orders so that it can be demonstrated to the Commission how often such an occurrence takes place. Good record keeping, also, protects the seller if a consumer who sent in an incomplete order complains to the FTC. Furthermore, it is ill-advised to cash checks received with such orders.

Are credit transactions covered?

Yes. When you receive a properly completed order with a charge account number, the Rule's clock starts when you charge your customer's account.

What happens when a check or money order remitted by the buyer is dishonored or in some other way doesn't qualify for a credit sale?

This would not be a properly completed order until the time at which: (1) the seller receives notice that a check or money order for the proper amount tendered by the buyer has been honored, (2) the buyer tenders cash in the proper amount or the seller receives notice that the buyer does qualify for a credit sale.

Are magazines covered by the regulation?

The first issue of a magazine is covered by the regulation but the Rule does not apply to subsequent deliveries since the FTC could find no basis for a problem in this area. Problems were with the commencement of magazine subscriptions.

Are premium offers covered by the Rule?

Yes. The FTC refused to accept arguments that the item involved is often valued at less than $10 and that notification of a delay requirement would almost destroy the premium advertising business. They indicate that 43% of the items for which they had complaints sold for less than $10.

Are mail order sales between businesses covered by the Rule?

Yes. Mail order transactions between businesses are covered. This would include specialty items such as calendars, pens, and ashtrays which bear advertising messages and are not sold to the general public.

Does the Rule apply to customized or made-to-order merchandise?

They too must comply with the regulation.

Are services connected with merchandise covered by the Rule?

No, they are not. However, the Commission has indicated that businessmen should not regard the fact that services are not covered to be interpreted as a finding "by the Commission that mail order services connected with a merchandise are not subject to abuses which constitute violations of the Federal Trade Commission Act or as a statement that the Commission will not address any such abuses in the future."

When I realize I am not going to be able to ship the merchandise within 30 days, or the length of time I indicated in my solicitation, when must I send the customer the delay notice?

The notice—giving the buyer the option to consent to the delay or cancel the order and receive his refund—must be made within a reasonable time after you realize you are unable to meet the commitment but not later than the time set forth in your solicitation, or 30 days if no time is stated.

What is required of me in my delay notice?

You should use a business reply device. You must have a reasonable basis for the revised shipping date you give. If you don't have a reasonable basis for making any representation regarding a definite revised shipping date, you must inform the buyer of the reasons for the delay.

You said you should use a business reply postage paid device. Is a postage prepaid device or business reply mail the only way to get permission of a delay or give the buyer the option to cancel?

Not really. Even though the Rule establishes a rebuttable presumption that failure to provide the buyer with a business reply mail or postage prepaid device implies the company has failed to provide adequate means to notify or cancel. However, The Commission has indicated this is their way of providing guidance. It does not prohibit sellers from providing other means which are of *equal or superior efficacy* to the method prescribed by the rule.

Once I determine I will be unable to deliver on time, must I proceed with the option cards, etc., or can I just cancel the order?

The Rule does not deny you the right to cancel a buyer's order and refund his money rather than go through the option procedures, but state laws may and your legal counsel should check.

Note the following sample option notices appearing in the FTC publication, *The Business Guide to the Mail Order Rule*.

> Dear Customer:
>
> Thank you for your order. We are sorry to inform you that there will be a delay in shipping the merchandise you ordered. We shall make shipment by the revised shipping date of ( ). It is quite possible we could ship earlier.
>
> You have the right to consent to this delay or to cancel your order and receive a prompt refund. Please return this letter in the enclosed postpaid envelope with your instructions indicated by checking the appropriate block below.
>
> Unless we hear from you prior to shipment or prior to the revised shipping date, it will be assumed that you have consented to a delayed shipment on or before the definite revised shipping date stated above.
>
> Sincerely yours,
>
> Name & Title of Signer
> Company Name
> Address

> Enclosure: Envelope
>
> ☐ Yes, I will accept a further delay in shipment of my order for this item until
>
> ______________________
> (Insert date which is 30 days or less.)
>
> ☐ I cannot wait. Please cancel my order for this item and promptly refund my money.
>
> ______________________
> Please Sign Here

When my first delay notice is sent out, what happens when I don't hear back from the customer?

When the delay notice contains a revised delivery date not more than 30 days from the original time you promised, failure to hear from the customer means he has consented to the delay.

What if I was unable to give him a definite revised shipping date, or I gave him a date more than 30 days in my option card?

Failure to hear from the customer still allows you 30 extra days from the time you originally promised in your solicitation. After those 30 extra days you must then deem the order cancelled and refund the money, if you have not received express consent or not been able to ship.

If the revised shipping date cannot be met, a second notice must be sent offering the buyer the same options. With the second notice, no reply from the customer within 30 days must be treated as a request for cancellation and refund (unless shipment has been made). The FTC Guide offers these examples:

Dear Customer:

We are sorry to inform you that there will be a further delay in shipping the merchandise you ordered. We shall make shipment by (new definite revised shipping date). It is quite possible we could ship earlier.

You have the right to consent to a further delay or to cancel your order and receive a prompt refund. Please return this letter in the enclosed postpaid envelope with your instructions indicated by checking the appropriate block below.

Unless we hear from you prior to the old shipping date to which you previously agreed, it will be assumed that you have rejected any further shipping delay and your order will be canceled and a prompt refund made.

Sincerely yours,

Name & Title of Signer
Company Name
Address

Enclosure: Envelope

☐ Yes, I will accept a delay in shipment of my order for this item until

(Insert date which is 30 days or less.)

☐ I cannot wait. Please cancel my order for this item and promptly refund my money.

Please Sign Here

Can I go back to the customer again and ask for a further delay if my second revised shipping date also ends up being wrong?

Yes you can. In "multiple delay" situations, the seller cannot construe silence of the buyer as consent to further delay.

Can I ask the buyer to consent to an indefinite delay?

Yes. However, the Rule gives him a continuing right to cancel the order *at any time* prior to the point you actually have made shipment, as long as it is after any date to which he previously agreed.

What is the FTC policy on substitution of merchandise?

According to the FTC, substitution of merchandise is allowable only under these conditions:

1) A clear statement is made in the original order form or ordering instruction that the company reserves the right to substitute merchandise of comparable quality and price.
2) In the absence of such a statement, a company must notify the customer and receive authorization to send the substitution.

When a refund to the buyer is necessary, what exactly is the definition of a refund? Would a credit voucher suffice?

No. If the buyer has sent full payment in the form of cash, check or money order, the money must be returned in that form. If it was a credit sale, and the seller is the creditor, a copy of a credit memorandum or an account statement which reflects the removal or absence of any remaining charge is necessary. If a third party is the creditor, the seller must send a credit memorandum or similar document to the third party creditor, to remove the charge, with a copy to the customer. Another method would be to have a statement from the seller acknowledging the cancellation of the order and relating that "no action" will be taken regarding the order which would result in a charge to the buyer's account with the third party.

What does the term "prompt refund" mean?

It depends. If the seller is making a refund in cash, check or money order, it must be sent to the buyer by first class mail within seven working days of the date on which the buyer's right to the refund began. In the case of a refund, when the purchase was made by credit and the seller is the creditor or there is a third party creditor, the refund must be sent to the buyer by first class mail within one billing cycle from the date on which the buyer's right to the refund began.

What do I do in states that have their own delayed delivery rule which is not consistent with the FTC Rule?

The Rule does not diminish any rights or remedies provided to consumers by any state law, municipal ordinance, or other local regulation insofar as those rights or remedies are equal to or greater than those provided by the FTC rule.

What actually happens when the FTC receives a complaint against a company?

The FTC checks to see whether the company has been advised of the Rule's requirements. If not, then a copy of the Rule with an explanation letter is usually sent to the firm. The FTC evaluates consumer complaints to see whether a pattern of violations is developing. The FTC then contacts the company to determine whether further action is necessary.

2. Credit

The Federal Trade Commission (FTC) has some major enforcement responsibilities in the area of credit regulations affecting all businesses. A summary follows.

Fair Credit Reporting Act. Effective in 1971. The Fair Credit Reporting Act (sometimes referred to as "FCRA") is the first federal regulation of the consumer reporting industry. Its basic purpose is to insure that consumer reporting agencies exercise their responsibilities with fairness, impartiality, and a respect for the consumer's right to privacy. The law requires consumer reporting agencies to adopt reasonable procedures for providing information to credit grantors, insurers, employers and others in a manner that is fair and equitable to the consumer with regard to confidentiality, accuracy, and the proper use of such information.

The FCRA is primarily designed to regulate the consumer reporting industry and place disclosure obligations on users of consumer reports. For the most part, the consumer reporting industry is comprised of credit bureaus, investigative reporting companies and other organizations whose business is the gathering and reporting of information about consumers, for use by others in making a decision concerning whether to grant credit, underwrite insurance or employ the subject of such reports.

Users of consumer reports must inform consumers when adverse action (such as denial of credit, insurance or employment) is taken on the basis of such report, and the user must identify the consumer reporting agency making the report.

While the FCRA establishes a statutory code of conduct for the consumer reporting industry, a business which collects its own information is not regulated as a consumer reporting agency. Moreover, information which is reported by one business to another is not considered to be a consumer report when that information is the reporting company's own experience (for example, "My records reflect that Mr. Jones was late on 8 of 12 payments"). However, when a businessman regularly reports information other than his own experience, that may constitute a consumer report within the meaning of the FCRA; (for example, "I have no file on Mr. Jones, but I know that he has a poor record of payment at the bank").

The information need not be derogatory to constitute a consumer report. Any information, good or bad, written or oral, that bears on a consumer's creditworthiness, credit standing, credit capacity, character, general reputation, personal characteristics or mode of living will be a consumer report if it is:

- Used or expected to be used
- Collected in whole or in part

for the purpose of considering the consumer's eligibility for consumer credit, insurance, employment, or other authorized business purposes.

Special rules apply to the type of consumer reports that involve personal interviews with third persons who may have knowledge about the consumer's character, general reputation, personal characteristics or mode of living. These are referred to as "investigative consumer reports," and, as a rule, the consumer is entitled to be informed when he may be the subject of such a report.

In February, 1973, FTC issued six final interpretations which in essence state that the Act:

- Prohibits publication and distribution by credit bureaus of books containing consumers' credit ratings, called "credit guides," unless encoded to insure consumers' anonymity.
- Allows the use of certain kinds of "protective bulletins" which identify check forgers, swindlers and the like—so long as no information in them is reasonably expected to be used in establishing the subjects' eligibility for credit, insurance or employment.
- Requires that consumers be informed by prospective lenders when they are denied credit on the basis of information furnished by loan exchanges or loan exchange members.
- Requires that when an insurance company uses a state motor vehicle report to deny or increase the cost of a consumer's insurance, it informs him of that fact and of the state agency's identity.
- Permits consumer-reporting agencies to pre-screen prospects' names for creditworthiness for direct mail solicitations, so long as the user certifies that every person on the list furnished by the credit bureau will receive an offer to enter into the particular business relationship involved.
- Concludes that reporting activities of federal agencies such as the Office of Personnel Management will not be included within the scope of the FCRA.

Truth in Lending Act—Regulation Z. Became effective July 1, 1969. The most pertinent section for all companies dealing in any way in consumer credit selling (includes credit cards) is Regulation Z. Regulation Z is administered by nine government agencies. However, for retail, department stores, consumer finance companies, and all credit card companies, the administering agency is the FTC. Banks are responsible to various agencies depending on their incorporation.

The major purpose of the Act is to assure that every customer who has need for consumer credit is given meaningful information with respect to the cost of that credit. Other relevant credit information must also be disclosed so that the customer may readily compare the various credit terms available to him from different sources and avoid the uninformed use of credit. A further proviso gives the customer, under certain circumstances, the right to cancel a credit transaction. Advertising of consumer credit terms must comply with specific requirements; credit issuance and the limits on the cardholder's liability for unauthorized use of a credit card are also covered.

Fair Credit Billing Act. Became effective October 26, 1975, as an amendment to the Truth in Lending Act. It is enforced by the FTC.

The Act applies only to "open end" credit plans. For purposes of the Act, "open end" credit covers all consumer credit extended by use of a credit card, as well as most other types of revolving credit, including department store charge accounts and line of credit plans such as overdraft checking. The Act does not apply to installment loans or purchases (such as cars or homes) which must be paid according to a set schedule of installments.

The Act, in addition, sets up a billing dispute settlement procedure which allows the consumer to question what he believes are billing errors on periodic statements. The creditor must acknowledge within a specified time frame the consumer's inquiry and promptly correct errors or explain why the creditor believes the statement is correct. The Act establishes a dispute procedure and insures that consumers are made aware of it as well.

Equal Credit Opportunity Act—Regulation B. Became effective October 28, 1975 as an amendment to the Truth in Lending Act. It is enforced by the FTC and provides that a creditor may not discriminate on the basis of race, color, religion, national origin, sex, marital status or age.

Other provisions in the Act:

- Credit scoring on the basis of marital status is prohibited.
- Reasons for denying credit must be furnished to the applicant for credit.

- Limitations permitted the creditor concerning "family" or "joint" accounts.
- Alimony and child-support payments must be considered when assessing an applicant's creditworthiness.
- Creditors are not permitted to inquire whether an applicant intends to have children.
- Creditors are not permitted to discount any part of a person's income because of sex or marital status.
- Accounts used by both a husband and wife must be maintained in both their names.

3. Fraud and Deception

Mailing of Unordered Merchandise — For purposes of the prohibition against the mailing of "unordered merchandise," that term is defined as merchandise mailed without the prior expressed request or consent of the recipient.

Except for free samples (clearly and conspicuously marked as such) and merchandise mailed by a charitable organization soliciting contributions, the mailing of unordered merchandise constitutes an unfair method of competition and an unfair trade practice in violation of Section 5 of the FTC Act. Also Section 3009 of the Postal Reorganization Act (39 U.S.C.) prohibits the mailing of practically all types of unordered goods.

Therefore any merchandise mailed in such a violative manner may be treated as a gift by the recipient, who shall have the right to retain, use, discard or dispose of it in any manner he sees fit without any obligation whatsoever to the sender. Accordingly, all such merchandise shall have attached to it a clear and conspicuous statement informing the recipient of those rights.

It is a separate violation for a mailer of unordered merchandise to mail to any recipient of such merchandise a bill for such merchandise or any dunning communications.

Deceptive Pricing — The basic objective of the FTC-published Guides, currently in effect, is to enable the businessman to advertise his goods honestly and to avoid offering the consumer nonexistent bargains that will be misunderstood. The Guides are not fixed rules but, rather, practical aids to the businessman who desires to avoid deceiving the consuming public. They cover:

- Former price comparisons: The former price must be the actual price at which the article was offered to the public on a regular basis for a reasonably substantial period of time. There need not have been any sales at the former price.
- Retail price and value comparison: The seller must be reasonably certain that the higher price is the price at which goods were sold in substantial quantities in the sales area, that it is a genuine bargain or savings, and that if the price comparison is not for the same goods, it must be disclosed that the goods are similar but not the same.

The Guides also include lengthy discussions in the areas of miscellaneous price comparisons, advertising retail prices which have been suggested by manufacturers, and bargain offers based upon the purchase of other merchandise.

New Or Rebuilt — The FTC issued a policy statement, January 4, 1969, concerning merchandise that has been used by purchasers on a trial basis, returned to the seller, "refurbished" and then resold as new. Usually, no disclosure of previous use is made to the ultimate purchaser.

The FTC stated that the consuming public has a preference for new or unused products compared to those that have been previously used. Qualitative equivalence does not change the fact that substitution of a used product for a new one without disclosing such fact is unlawful. Clear and conspicuous disclosure of prior use must be made in all the marketer's advertising, sales promotional literature, and invoices concerning the product, on the container in which the products are packed and, if the product has been refurbished or otherwise has the appearance of being new, on the product with sufficient permanency. The FTC suggested that the marketers of products maintain adequate inventory control records to enable them to demonstrate that returned merchandise applies only to merchandise that has been used, and not to merchandise that has merely been inspected but not used.

Subject to varying circumstances, a tentative outer limit of six months has been established for designating a product as new.

"New" after period of time — The time period during which a particular product may be called "new" will depend upon circumstances and is not subject to precise limitations. Considering the absence of precedent, the Commission thought it preferable to establish a tentative outer limit for use of the claim "new," namely, six months. The general rule would apply, unless exceptional circumstances warranting a period of time either shorter or longer than six months were shown to exist. *Advisory Opinion No. 120.*

After reconsidering its tentative six month limit on the permissible period of time during which a product may be called "new," the Commission stated that the rule had not been in effect long enough to determine whether a change would be required but added that a marketing program which lasts for more than six months and covers less than 15 percent of the population would not disqualify an eventually widely marketed product from being called "new." *Advisory Opinion No. 146.*

It was deceptive to market as "new" ten-year-old equipment, even though the equipment had never been used and was still in the original shipping cartons. The company was not the original manufacturer and had recently been licensed to manufacture similar equipment. *Advisory Opinion No. 325.*

Reference books should not have been described as new when they were composed in substantial part of material reprinted from another, or as up-to-date when based on statistics over 15 years old and when terminal dates for histories go back approximately ten years. The FTC said in its opinion:

"That use of the term 'new' or 'completely new' to designate a reference publication, composed in substantial part of material reprinted from another, being contemporaneously marketed under another title, has the capacity and tendency to deceive is, therefore, obvious and requires no further comment. On the other hand, the order contained in the initial decision appropriately recognizes the respondents' right to make truthful and nondeceptive statements in the future respecting newness in the manner of presenting constituent information.

"Whereas the book has a 1957 copyright and introductory material identifies it as complete in scope and up-to-date in statistics and population figures, it appears from their testimony that the census data used in many instances were those for the year 1940. Also, the terminal dates for certain of the political and economic histories on foreign countries go back to the late 1940s and early 1950s."

"New" to marketing area — In advertising "newness," the implication is that the product is new, i.e. "recently invented, discovered, or developed," not that it is new to the marketing area. Therefore, an examiner's order providing that if a product is new in a marketing area, but not known in another, a company may advertise the product as "new" in the area in which it is not yet known for a period of one year was incorrect.

Rebuilt: An article to be advertised as *rebuilt* must be rebuilt in a factory engaged in such rebuilding or the original manufacturer's factory. Missing or worn parts must be replaced with new, not reprocessed parts.

"Free"—Effective December 16, 1971 — It is presumed that, except in the case of introductory offers in connection with the sale of a product or service, an offer of "Free" merchandise or service is based upon a regular price for the merchandise or service which must be purchased by consumers in order to avail themselves of that which is represented to be "Free." In other words, when the purchaser is told that an article is "Free," if another article is purchased, the word "Free" indicates that he is paying nothing for that article and no more than the regular price for the other.

The term "regular" when used with the term "price" means the price, under the same conditions of sale, at which the seller or advertiser recently sold the product in the same trade area in which he is making a "Free" offer. Except in the case of introductory offers, if no substantial sales were made at the "regular" price, a "Free" or similar offer would not be proper.

When making "Free" or similar offers, all the terms, conditions and obligations upon which receipt and retention of the "Free" item are contingent should be set forth clearly and conspicuously at the outset of the offer. All of the terms, conditions and obligations should appear in close conjunction with the offer of "Free" merchandise or service. For example, disclosure of the terms of the offer set forth in a footnote of an advertisement to which reference is made by an asterisk or other symbol placed next to the offer is not regarded as making a disclosure at the outset. However, mere notice of the existence of a "Free" offer on the main display panel of a label or package is not precluded provided that:

1. The notice does not constitute an offer or identify the item being offered "Free";
2. The notice informs the customer of the location, elsewhere on the package or label, where the required disclosure may be found;
3. No purchase or other such material affirmative act is required in order to discover the terms and conditions of the offer; and
4. The notice and offer are not otherwise deceptive.

A supplier may not perpetuate a "Free" offer that he knows is not being passed on by a reseller, or otherwise is being used by a reseller as an instrument for deception.

No "Free" offer should be made in connection with the introduction of a new product or service offered for sale at a specified price unless the offerer expects, in good faith, to discontinue the offer after a limited time and to commence selling the product of service promoted, separately, at the same price at which it was promoted with the "Free" offer.

A single size of a product or a single kind of service should not be advertised with a "Free" offer in a trade area for more than six months in any 12-month period. At least 30 days should elapse before another such offer is promoted in the same trade area. No more than three such offers should be made in the same area in any 12-month period, and sales should not exceed 50 percent of the total volume of sales of the product, in the same size, in the area.

Similar terms such as "gift," "given without charge," "bonus," "buy one get one free," "two for one," "50 percent off with purchase of two," "1¢ sale," "half-price" and "half off" are all covered by the Rule.

4. Sweepstakes

Although the FTC has not issued a rule or advisory opinion on sweepstakes, it does take an ongoing interest in their conduct, as does the USPS.

Practioners must be aware that the Postal Service's regulations prohibit lotteries by mail and that a sweepstakes is legally considered a lottery, if it contains all three elements used to define a lottery: chance, consideration and prize.

In addition, many states have laws concerned with sweepstakes. Because of the complexity of these regulations, all companies considering using a sweepstakes would be well advised to consult their own attorneys and a competent company specializing in sweepstakes.

To assist its members, DMA has drawn up a set of general guide lines to be followed in addition to any specific state regulations.

DMA Guidelines for Self Regulation of Sweepstakes Promotions

As any advertisement must first attract attention, the sole function of sweepstakes is to sufficiently capture the prospective customer's interest so he will read the rest of the promotion which offers a product or service.

However, since the sweepstakes component accompanies the product advertising portion of the promotion, it must enhance, not impair, consumer good will. The fact that one is being offered something for nothing does not necessarily preclude that the manner in which it is done may leave him with a feeling of distaste suggesting there is something improper or unfair about it.

The following guides have been prepared as an aid to those who design, operate or use sweepstakes promotions, and no implication is intended that failure to observe them would, in any way, be a legal violation. Their concern is simply with public satisfaction and good will.

Definition — A sweepstakes, as used here, means any advertising or promotional device by which items of value (prizes) are awarded to members of the public by chance and without consideration.

Clear and Conspicuous Disclosure of Rules — It is essential, if members of the public are to feel that they have been dealt with fairly, that the rules of the sweepstakes and all conditions and terms which will govern the award of its prizes be stated thoroughly and understandably to them. This should be done at the time they are invited to take the first step necessary toward receiving an award. In that way they will be spared undertaking any effort if they don't like the rules of the game.

It is not feasible to derive a definite and precise formula for describing the term "clear and conspicuous." In principle, however, terminology should be simple, non-technical and unambiguous. Typography—in size, style, and location—should be such that one cannot view the promotion piece for more than a few seconds without seeing that the rules and conditions are there to be read, if he chooses to do so, and that such reading can be done easily. If the designer of the promotional materials starts from the premise that it is important and to his advantage to have the reader wholly understand the rules from the outset, and, if he is willing to resolve all doubts as to graphics to achieve that result, he will know how to do it.

Elements common to sweepstakes that should be disclosed, in addition to any others which may be peculiar to a particular promotion, are:

1. That no purchase of the advertised product or service is required in order to win a prize.
2. Any boxes or other devices used for registering the participant's election to purchase or not to purchase the promoted product or service; those for the negative should be equally conspicuous with those for the affirmative.
3. The nature of the prizes in each prize category.
   - — Awards given to persons by virtue of their having entered a sweepstakes, and not as part of the same process and procedure by which major prize-winners are selected, shall not be represented as prizes, either directly (i.e. by name or other characterization) or by implication (e.g., as by assigning matching numbers to them or by referring to them as items to be won rather than given).
   - — No award shall be described as a prize unless it has an approximate retail value of at least $1.00.
   - — No award, whether a prize or a gift, shall be held forth directly or by implication as having substantial monetary value if it is of only nominal intrinsic worth.
4. The total number of prizes in each category.
5. The approximate odds of winning a prize if such odds can be reliably calculated prior to the beginning of the sweepstakes.
6. The geographic area covered by the sweepstakes.
7. The termination date for eligibility in the sweepstakes, and whether this is a date of mailing or receipt of the entry.
8. Any other conditions under which a participant would not be given an award to which he would otherwise be entitled.
9. The identity and address of a specific addressee to whom inquiries concerning the sweepstakes may be directed.
10. That the sponsor reserves the right to take all steps reasonably calculated to verify that winners are, in fact, qualified and entitled to receive their awards.

Selection of Winners

Winners should be selected in a manner that ensures fair application of the laws of chance according to the published rules and conditions of the particular sweepstakes.

Prizes

All prizes described in the promotional material, or resources sufficient to assure their award, should be set aside prior to the beginning of the sweepstakes and be kept segregated until utilized for the awards.

All such prizes shall be awarded as part of the sweepstakes.

Record Keeping and Disclosure

For a period of three years after the published termination date for entries in the sweepstakes, records shall be kept of:

- the approximate number of entries distributed
- the total number of prizes advertised in each category
- the approximate number of participants
- the name and address of each winner of a prize having an approximate retail value in excess of $10, together with a description and the approximate retail value of the prize to each
- the method by which winners were determined

Properly authorized governmental representatives shall have access, on a confidential basis, to anything contained in these records.

Members of the public who submit a request, accompanied by a self-addressed stamped envelope, should be provided a complete list of winners whose prizes have an approximate retail value of $25 or more and where the promotional literature clearly and conspicuously states that the names of winners will be made public, on request. Where the promotional literature does not so state, the list should also be provided, on request, except that it should omit the names of those winners who, within a reasonable time after being notified that they have won, request that their names not be made public.

5. Mail Order Insurance Industry Guidelines

Effective July 14, 1964. The Federal Trade Commission has promulgated guides to be followed when using advertising and promotion materials in connection with the solicitation of the original purchase, renewal or reinstatement of an insurance policy. The guides are applicable regardless of the medium used by the advertiser.

The general areas covered by the guidelines include:

- Deception
- Advertisement of benefits, losses covered or premiums payable
- Health of the applicant or insured
- Disclosure of policy provisions relating to renewability, cancellability or termination
- Testimonials, appraisals or analyses

- Deceptive use of statistics
- Identification of plan or number of policies
- Deception as to introductory, initial or special offers
- Misrepresentation as to licensing, approval or endorsement of insurer, policy or advertisement
- Deception as to "group" or "quasi-group" policies
- Allocation of benefits under a "family group" policy
- Deceptive use of trade names, service marks, etc.
- Disparagement
- Misrepresentation concerning the insurer

6. Dry-Testing

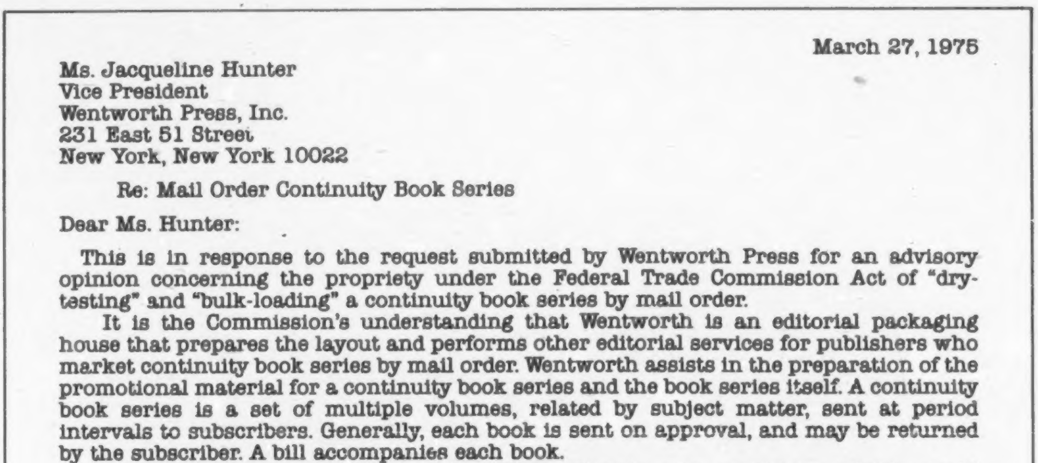
Another area of FTC concern is the practice of *dry testing*. Dry-testing is a term used in the trade to describe the practice in which the marketer disseminates promotional material by mail to members of the general public offering a product which the marketer has not yet manufactured or obtained. Whether the product is actually sold will depend on the size of the response to the solicitation.

On March 27, 1975, the FTC issued an advisory opinion on this subject. It allows dry-testing under very *strict guidelines* insuring that the potential customer is in no way misled about the terms of the offer.

Although a number of years have passed since the issuance of this opinion, the FTC has neither recalled it nor issued another in its place. Therefore, it is reprinted below in its entirety.

The Federal Trade Commission has answered a request for an advisory opinion from Wentworth Press, Inc., 231 East 51 St., New York City, regarding the propriety of "dry-testing" and "bulk-loading" a continuity book series by mail order. The Commission vote was unanimous.

The test of the Commission's letter of advice follows. The material submitted by the requesting party is available for public inspection at the FTC's Division of Legal and Public Records, Washington, D.C. 20580.



March 27, 1975

Ms. Jacqueline Hunter
Vice President
Wentworth Press, Inc.
231 East 51 Street
New York, New York 10022

Re: Mail Order Continuity Book Series

Dear Ms. Hunter:

This is in response to the request submitted by Wentworth Press for an advisory opinion concerning the propriety under the Federal Trade Commission Act of "dry-testing" and "bulk-loading" a continuity book series by mail order.

It is the Commission's understanding that Wentworth is an editorial packaging house that prepares the layout and performs other editorial services for publishers who market continuity book series by mail order. Wentworth assists in the preparation of the promotional material for a continuity book series and the book series itself. A continuity book series is a set of multiple volumes, related by subject matter, sent at period intervals to subscribers. Generally, each book is sent on approval, and may be returned by the subscriber. A bill accompanies each book.

Wentworth is considering entering into contracts with marketers which would involve the use of dry-testing various continuity book series. As defined by the requester, dry-testing is a practice in which the marketer disseminates promotional material by mail to members of the general public soliciting subscriptions to a continuity book series, before the books have been published. Whether or not the book series is actually published depends upon the size of the response to the solicitation. Wentworth's first question is whether such dry-testing of a book series is permissible under the Federal Trade Commission Act and rules and regulations promulgated thereunder.

Wentworth's second question involves the legitimacy of "load-ups" through the mail. Under the proposed plan, the marketer would initially send a single volume of the continuity book series to subscribers each month. Each volume would, in effect, be received on an approval basis; subscribers could review each volume individually, and decide whether to accept or reject it. Subscribers would be billed each month for each volume accepted. In a "load up," the subscriber is notified by the marketer, during the course of the series, that the remaining volumes are available and will be sent at one time in a bulk shipment, if the customer so desires. A customer accepting the bulk shipment would continue receiving monthly bills for individual volumes.

On basis of its understanding, the Commission does not object to the use of dry-testing a continuity book series marketed by mail order as long as the following conditions are observed.

(1) No representation, express or implied, is made in advertisement, brochures, or other promotional material, which has the tendency or capacity to mislead the public into believing that the books have been or will definitely be published, or that by expressing an interest in receiving the books a prospective purchaser will necessarily receive them.

(2) In all solicitations for subscriptions and other promotional material, clear and conspicuous disclosure is made of the terms and conditions of the publication, distribution, and other material aspects of the continuity book series program. Such disclosures must provide adequate notice of the conditional nature of publication of the book series, i.e., the fact that the book series is only planned and may not actually be published.

(3) If the decision is reached not to publish the book series, due notice is given to persons who have subscribed, within a reasonable time after the date of first mailing the solicitations for subscriptions. The Commission considers four months or less to be a reasonable time, unless extenuating circumstances exist. If the decision on whether or not to publish the book series has not been made within that time period, persons who expressed a desire to subscribe should be notified of the fact that a decision has not yet been reached, and should be given an opportunity to cancel their orders.

(4) There is no substitution of any books for those ordered.

This opinion is not intended to affect the application of any state law which places stricter requirements upon mail order marketers or affords greater protection to consumers.

As to the question regarding the legitimacy of sending the remaining volumes of a continuity book series in a bulk shipment to a subscriber after several volumes have been shipped and billed for singly, upon notice and an opportunity to reject the proposed bulk shipment before it is made, the Commission refers your attention to two recent consent orders: Cadence Industries Corp., C-2508 (March 25, 1974), and Crowell Collier and Macmillan, Inc., C-2394 (May 1, 1973). In these consent orders, the respondents agreed, among other things, to make no representations in promotional material that a participant in a continuity book program has the option of receiving each publication individually, at prescribed intervals and accepting or rejecting it, unless such is the case. These consent orders also require a clear and conspicuous disclosure be made in any advertisement promoting the book program of the conditions and terms of the program and the duties and obligations of any subscriber.

By the direction of the Commission.

Charles A. Tobin
Secretary

7. Negative Option Rule

Effective June 7, 1974. The FTC originally proposed to ban entirely the negative option mode of selling. Some Commission members thought it an unfair practice to take commercial advantage of human tendencies towards procrastination and guilt for not returning the no-merchandise card.

In response to the proposal to ban negative option selling, DMA, together with its members, worked up an alternative proposal and the FTC adopted this alternate rule, June 7, 1974, with some changes, which gave us the rule as it is today.

Mandatory disclosures and practices

a. All promotional material must clearly and conspicuously state the material terms of the plan, including:
- Method of accepting or rejecting offers
- Any minimum quantity of merchandise subscriber is obligated to buy
- Right of a contract-complete subscriber to cancel
- Whether billing charges include postage and handling
- Notice that subscriber will have at least ten days to mail any form
- If subscriber had less than 10 days, account will be credited for returned merchandise and postage guaranteed
- Frequency of announcements and forms, setting forth maximum in 12 months

b. Seller must mail announcement identifying selection, and form and procedure by which subscriber instructs seller of choice to select or reject. Subscriber must have at least ten days in which to mail his form.

c. Introductory and bonus merchandise must be shipped within 4 weeks of receipt of order. If impossible, seller must comply with subscriber's request for cancellation of membership.

d. Seller must promptly terminate membership of a contract-complete subscriber upon his request to do so.

e. Seller may not, without subscriber's express consent, substitute merchandise for that ordered by subscriber.

8. Deceptive Advertising of Guarantees — Effective April 26, 1960

Determining violations

In determining whether terminology and direct or implied representations concerning guarantees, however made, i.e. in advertising or otherwise, in connection with the sale or offering for sale of a product, may be in violation of the Federal Trade Commission Act, the following general principles will be used:

Guarantees in general

In general, any guarantee in advertising shall clearly and conspicuously disclose:

(a) The nature and extent of the guarantee.

This includes disclosure of:

(1) What product or part of the product is guaranteed.

(2) What characteristics or properties of the designated product or parts thereof are covered by, or excluded from, the guarantee.

(3) What is the duration of the guarantee.

(4) What, if anything, any one claiming under the guarantee must do before the guarantor will fulfill his obligation under the guarantee, such as return of the product and payment of service or labor charges: and

(b) The manner in which the guarantor will perform.

This consists primarily of a statement of exactly what the guarantor undertakes to do under the guarantee. Examples of this would be repair, replacement, refund. If the guarantor or the person receiving the guarantee has an option as to what may satisfy the guarantee this should be set out; and

(c) The identity of the guarantor.

The identity of the guarantor should be clearly revealed in all advertising, as well as in any documents evidencing the guarantee. Confusion of purchasers often occurs when it is not clear whether the manufacturer or the retailer is the guarantor.

Prorata adjustment of guarantees

(a) Many guarantees are adjusted by the guarantor on a prorata basis. The advertising of these guarantees should clearly disclose this fact, the basis on which they will be prorated, e.g., the time for which the guaranteed product has been used, and the manner in which the guarantor will perform.

(b) If these guarantees are to be adjusted on the basis of a price other than that paid by the purchaser, this price should be clearly and conspicuously disclosed.

Example: "A" sells a tire with list price of $48 to "B" for $24, with a 12 months guarantee. After 6 months use the tire proves defective. If "A" adjusts on the basis of the price "B" paid, $24, "B" will only have to pay one-half of $24, or $12, for a new tire. If "A" instead adjusts on the basis of list price, "B" will owe one-half of $48, or $24, for a new tire. The guarantor would be required to disclose here the following: That this was a 12 months guarantee, that a list price of $48 would be used in the adjustment, that there would be an adjustment on the basis of the time that the tire was used, and that he would not pay the adjusted amount in cash, but would make an adjustment on a new tire.

NOTE: Guarantees which provide for an adjustment based on a fictitious list price should not be used even where adequate disclosure of the price used is made.

"Satisfaction or Your Money Back" representations

"Satisfaction or Your Money Back," "10 Day Free Trial," or similar representations will be construed as a guarantee that the full purchase price will be refunded at the option of the purchaser.

Example: A rose bush is advertised under the representation, "Satisfaction or Your Money Back." The guarantor requires return of the product within one year of purchase date before he will make refund. These limitations, i.e. "return" and "time," shall be clearly and conspicuously disclosed in the ad.

Lifetime guarantees

If the words "Life," "Lifetime," or the like, are used in advertising to show the duration of a guarantee, and they relate to any life other than that of the purchaser or original user, the life referred to shall be clearly and conspicuously disclosed.

Example: "A" advertised that his carburetor was guaranteed for life, whereas his guarantee ran for the life of the car in which the carburetor was originally installed. The advertisement is ambiguous and deceptive and should be modified to disclose the "life" referred to.

Savings guarantees

(a) Advertisements frequently contain representations of guarantees that assure prospective purchasers that savings may be realized in the purchase of the advertiser's products.

(b) Some typical advertisements of this type are "Guaranteed to save you 50%," "Guaranteed never to be undersold," "Guaranteed lowest price in town."

(c) These advertisements should include a clear and conspicuous disclosure of what the guarantor will do if the savings are not realized, together with any time or other limitations that he may impose.

Example: "Guaranteed lowest price in town" might be accompanied by the following disclosure:

"If within 30 days from the date that you buy a sewing machine from me, you purchase the identical machine in town for less and present a receipt therefor to me, I will refund your money."

Guarantees under which the guarantor does not or cannot perform

(a) A seller or manufacturer should not advertise or represent that a product is guaranteed when he cannot or does not promptly and scrupulously fulfill his obligations under the guarantee.

(b) A specific example of refusal to perform obligations under the guarantee is use of "Satisfaction or your money back" when the guarantor cannot or does not intend promptly to make full refund upon request.

Guarantee as a misrepresentation

Guarantees are often employed in such a manner as to constitute representations of material facts. If such is the case, the guarantor not only undertakes to perform under the terms of the guarantee, but also assumes responsibility under the law for the truth of the representations made.

Example 1: "Guaranteed for 36 months" applied to a battery is a representation that the battery can normally be expected to last for 36 months and should not be used in connection with a battery which can normally be expected to last for only 18 months.

Example 2: "Guaranteed to grow hair or money back" is a representation that the product will grow hair and should not be used when in fact such product is incapable of growing hair.

Example 3: "Guaranteed lowest prices in town" is a representation that the advertiser's prices are lower than the prices charged by all others for the same products in the same town and should not be used when such is not the fact.

Example 4: "We guarantee you will earn $500 a month" is a representation that prospective employees will earn a minimum of $500 each month and should not be used unless such is the fact.

These guides remain in effect until rules under the *Magnuson-Moss Warranty Act* are promulgated by the FTC, and thereafter to the extent not superseded by the new rules.

9. Warranties

The FTC is the federal agency empowered by *The Magnuson-Moss Warranty Act* (Effective July 4, 1975) to issue rules, regulations, statements and interpretations of the Act. By the close of 1978, the Commission had already issued three rules:

- Part 701—Disclosure of Written Consumer Product Warranty Terms and Conditions—Effective December 31, 1976.
- Part 702—Pre-Sale Availability of Written Warranty Terms—Effective December 31, 1976.
- Part 703—Informal Dispute Settlement Mechanisms—Effective July 4, 1976.

The Warranty Act, and FTC's rules, apply only to *written* warranties covering consumer products. Whenever a product is sold with a written warranty that promises a product is defect-free, or will meet a certain level of performance for a specific time period, or that the warrantor will take a specified action if a prouct fails to live up to the warrantor's promises about it, the warranty is governed by the Act.

No one is required to give a written warranty. Minimum duration for a warranty is not required.

If the mail order seller and the retailer offer written warranties, the FTC rules require that they be made available to the consumer prior to the sale. Many of the restrictions imposed by the rules apply only to the manufacturer. If, however, the ultimate seller (whether an over-the-counter retailer or mail order seller) adds its parts and labor warranty on a product (such as a TV set) to the manufacturer's warranty, both must comply with the rules.

The rules cover in detail such subjects as:

- Depending upon product's price, there are varying degrees of responsibility; $5 is the minimum price covered.
- The guarantor must specify whether the warranty is "Full" or "Limited" for all products costing $10 or more to the consumer. Each of these designations has its own requirements.
- A written warranty may *not* require the consumer to use a branded or trademarked product or service. Statements such as "the product must be serviced by an authorized __________ dealer" are prohibited.
- The written warranty must state, in clear and unmistakable language, the duration of the warranty and must be printed prominently on its face.
- Exclusions or limitations must also be printed on the face of the warranty clearly. In many states, exclusions or limitations are either restricted or prohibited. Care must be taken to comply with such state regulations.
- Mail order sales encompass both radio and television advertisements which inlcude instructions for ordering a product by mail or telephone. Therefore, it is necessary to provide information in these advertisements on where the warranty may be obtained.
- Catalogs or mail order solicitations must disclose for each warranted product either the full text or a notice where the warranty may be obtained upon written request. This information must be located on the same page or the facing page or in a clearly referenced information section of the catalog.
- Rule 703 describes, in detail, the mechanisms required to settle disputes. It covers such items as seals of approval, owner registration cards, record-keeping, individual dispute records, statistical reporting requirements, annual audit—its nature and distribution, confidentiality, etc.

Legislation and Regulation . . . . Federal and State

1. Importance of Relations with Congress and the Federal Regulatory Agencies.

Even though the Postal Reorganization Act of 1970 theoretically took the Postal Service out of politics and the current regulatory climate has eased pressure on many businesses, the impact of Congressional and Federal regulatory initiatives on direct marketing is and will continue to be quite heavy.

Not only can legislation in many areas have a significant impact on direct marketing, but the perception of the industry among key members of Congress can affect the treatment of the industry by many Federal regulatory agencies.

During the next few years, Congressional and Federal regulatory initiatives involving postal rates, mail processing and delivery, mail order delivery rules, consumer protection, privacy and access to lists, and the structure of the communications industry will be among the most significant matters confronting direct marketers. In addition, Congressional oversight and informational hearings and studies mandated by Congress, the USPS and such agencies as the Federal Trade Commission, and the Federal Communications Commission on a myriad of subjects are a constant feature of the Washington landscape. These hearings and studies, even if they do not result in actual legislation or rule changes, can be important factors in shaping the opinions and actions of governmental decision makers at all levels.

2. State Activities

Activities in state legislatures and state regulatory bodies which affect mailing lists, telephone solicitation, sales and use taxes on direct marketing, and other direct marketing procedures are becoming increasingly important. The same guidelines used in keeping up with Congressional activities should also be applied to state legislative and regulatory actions.

DMA has strengthened its coverage in the state area to provide greater informational and lobbying capabilities in the state capitols as the need arises. In addition, DMA maintains a monitoring service which tracks legislation and allows DMA to alert members of pending actions which are of concern in each state. Several proposed laws have been dropped or modified recently because of combined member activities and professional efforts.

3. DMA Government Affairs Services

DMA maintains a Washington office responsible for representing the interests of its members in Congress before Federal agencies, and in the state capitols.

DMA Government Affairs staff educates public officials about direct marketing's important role, its contribution to the economy, and its commitment to ethical practices and self-regulation.

The staff operates under policy guidelines developed by DMA's Government Affairs Committee with approval by the Executive Committee and the Board of Directors.

Through these formal policy-making bodies, every member has an opportunity to influence the shape of the industry's response to governmental challenges.

The Washington office publishes a monthly newsletter called "Washington Report" which is sent to all DMA members. The "Washington Report" informs members of postal matters and Federal and state legislative and regulatory issues affecting the industry—and the actions taken in these areas by DMA. A special DMA bulletin, "Washington Alert," is sent out as needed to inform members of important government developments of immediate concern.

The Government Affairs Department also publishes the "Compendium of Government Issues Affecting Direct Marketing," an annual report on DMA issues and activities in this area. The Compendium is published each spring to coincide with the DMA Government Affairs Conference.

The annual DMA Government Affairs Conference features discussions of postal and regulatory matters of concern to direct marketers and includes speakers from Capitol Hill, the Postal Service, and regulatory bodies.

DMA also conducts an annual Industry Leader's Conference on postal matters attended by government officials and leaders of three trade associations and sponsors "Capitol Hill" Seminars to educate Federal legislators and staff about direct marketing and how it can be used in the political process.

Members are urged to call the Government Affairs Department in Washington (202-347-1222) for information on postal or other legislative or regulatory matters.

4. *1985 Legislative Update*

The 98th Congress, before it adjourned in late 1984, approved two pieces of legislation which will have a continuing impact on the direct marketing industry.

1. *Cable Privacy Requirements.* Effective April 28, 1985, as part of a comprehensive law deregulating the cable television industry, the new privacy requirements permit access to and use of cable tv subscriber names and addresses for marketing/mailing list purposes.

   Consistent with DMA's Guidelines for Personal Privacy Protection, the new law requires that the subscriber be notified of the potential for commercial disclosure and given "a negative check-off option" to disallow the release of his/her name and address.

   Significantly, the legislation that finally passed Congress represents a tremendous improvement—in fact a complete turnaround—from all previous versions of the legislation that was originally introduced in 1982. All earlier versions would have restricted access to cable subscriber data without the subscriber's prior "written or electronic" consent.

   While the new federal law does not overturn state cable laws already on the books (CA, CT, IL, WI), it does stipulate that provisions of state or local law which are inconsistent with the federal cable provisions "shall be deemed to be preempted and superseded."

   Specific Federal Communications Commission Implementing Regulations will be issued in the spring of 1985.
2. *Catalog/Mail Order Disclosures Re: Textile and Wool Products.* Effective December 24, 1984, amendments to the Textile Fiber Products Identification Act and the Wool Product Labeling Act require mail order sellers who feature promotions of textile and wool products in catalogs and mail order pieces to indicate that those products are:
   - Made in the United States
   - Imported
   - Made in the United States *and* Imported
   - Made in the United States *or* Imported

No final regulations or formal guidelines for compliance had been issued by the Federal Trade Commission prior to the publication of this book in spring 1985. Final FTC regulations are expected by April 1985.

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Education

by Richard Montesi
Direct Marketing Association, Inc.

Section I

Professional Education Curriculum

DMA's Education Department offers a comprehensive program of continuing education to meet the varying needs of the direct marketing professional. Offered primarily as a member service, courses are open to non-DMA members as well, in recognition that training is a primary vehicle in maintaining and upgrading industry standards.

In-House Presentation—In addition to public presentations, the Education Department has developed an In-House Program that enables a company to offer training on its own premises or at a nearby facility. When conducted for groups of 15 or more, in-house training becomes a cost-effective, convenient and flexible form of training. In-house training enables a company to customize a learning package to meet its own particular training needs. Information on In-House Programs can be obtained by contacting Richard Montesi, Senior Vice President, Education.

Professional Education:

The professional education courses are designed to enable participants to:

- Keep up to date with latest industry trends and state-of-the-art developments.
- Increase proficiency in creative and technical skills
- Supplement on-the-job training
- Keep abreast of legislative issues affecting the industry

To accommodate the different subject requirements and levels of experience and expertise, programs range from a basic-level overview of direct marketing to the more specialized areas of copywriting and database marketing.

Through the use of lecture, discussion, case studies, team exercises, and audio-visual aids, the courses successfully combine practice and theory. Participants gain a solid grasp of subject matter as well as practical suggestions, which can be incorporated into their direct-marketing practice. Group interaction is encouraged at all programs so that participants can learn from the experiences of their peers.

The department's seminars are offered throughout the year in different direct-marketing centers around the country. This year, more than 85 presentations are planned with attendance expected to exceed 2,500.

Education Department 1985 Calendar

The following is a list of DMA educational programs to be held during 1985.

- **The Basic Institute**, the flagship of DMA's educational programs, is a three-and-one-half day intensive program for newcomers to direct marketing. It also serves as a refresher course for direct marketing professionals. The rigorous curriculum includes:

Major Uses of the Medium
7 Cardinal Principles of Direct Mail
Mailing Lists
Forms of Direct Mail
Testing
Research
Budgeting

Each Institute is conducted by two of these outstanding instructors:

Paul Sampson—Current Vice Chairman of the Direct Marketing Educational Foundation and former chairman of DMA's Board of Directors. Sampson's broad-based experience includes positions as executive manager of the *Christian Science Monitor*, senior vice president of the Metromail Division of Metromedia, chairman of the board of Garden Way, and president of the Sampson Hill Corporation.

Dick Hodgson—A direct marketing consultant to some of the world's largest firms, Hodgson has taught and lectured extensively. Formerly director of the Franklin Mint, he is also the author of the bible of direct marketing, *Direct Mail and Mail Order Handbook*.

Dick Shaver—President of Shaver Direct, specializes in strategic planning and creative for all major response media. Shaver has held key positions with McGraw Hill and Agawam Associates. He is a frequent contributor to the industry's press.

- **Seminars in Direct Marketing** is a series which includes three discrete but interrelated programs which may be taken separately or as a cluster.

Copy and Art
Mailing Lists
Math and Finance

Designed for individuals with a basic understanding of the principles of direct marketing, these programs will increase the participant's knowledge and application of direct marketing techniques.

The three programs are developed and presented by Pierre Passavant, a leading authority in direct marketing, whose credentials include such positions as: vice president, Xerox Educational Publications; vice president, Gerber Life Insurance; catalog circulation manager, JCPenney Company.

• **Management of the Telephone Marketing and Sales Operation** recognizes the increasing importance of telemarketing in the direct-marketing industry. Designed for executives who are already using the telephone as a sales tool or plan to, this three-day program is particularly valuable for telephone program operations managers, vice presidents of sales & marketing, marketing managers, circulation directors, etc. The three-day intensive program includes:

Defining telephone marketing
General management requirements
Planning and developing telemarketing programs
Operations management

The course has been developed and is conducted by Rudy Oetting, President of R. H. Oetting & Associates, Inc., whose client companies—large and small—are using telemarketing profitably. Formerly executive vice president of a major telephone marketing agency, Oetting is a recognized leader in this field.

• **Beyond the Basics: Planning and Managing Direct Marketing Programs** is a two-day seminar combining a unique lecture and case history approach to help participants learn through example. Designed for experienced professionals, the course is ideal for managers, supervisors and creative directors in marketing, advertising, promotion or sales. Topics include:

Marketing strategy and research
On-target media planning
Managing the creative process
Practical problem solving

The program is conducted by Pierre Passavant and Jim Kobs, two of the country's leading authorities in direct marketing. Mr. Passavant, formerly with Xerox Educational Publications, Gerber Life Insurance and J.C. Penney, has headed his own seminars and consulting firm since 1977. Mr. Kobs is chairman of Kobs & Brady Advertising, a pacesetting agency in both consumer and business-to-business direct marketing, and author of the book *Profitable Direct Marketing*.

• **Television Direct Marketing: Crafting the Winners** is the first seminar to explain TV direct marketing in detail. This one-day course, meant for anyone who creates or evaluates TV advertising, demonstrates how to construct commercials that elicit swift and profitable response. The program includes:

What works and what doesn't — and why
Translating direct mail into television
Choosing produers and monitoring production costs
Effective concepts, scripts, storyboards
Testing and psychographics

The course is led by John Charles Witek, consultant, author, lecturer and creator of successful commercials for Time-Life Books, Business Week, Standard Security Insurance and others. Formerly with The Longines Symphonette Society, March Advertising and Wunderman, Ricotta & Kline, Mr. Witek is the foremost creative consultant for television in the direct marketing field.

• **Direct Response Marketing for Financial Institutions** is a one-day program emphasizing practical "how to" information. This intensive seminar is designed for top executives and managers in new business development, marketing, product development, advertising, sales and other departments involved in marketing financial services. Topics include:

Impact of the computer revolution
Cross-selling to your customer base
Penetrating selected market segments
Turning inquiries into profits
Testing, tracking, evaluation, cost control

This program is conducted by experts John W. Booth and James R. Rosenfield. Mr. Booth is senior vice president of The Direct Marketing Group, Inc., the nation's largest vertically integrated direct marketing company. Mr. Rosenfield is president of Buchanan/Vinson/Rosenfield Direct, a leading independent agency based in San Diego. Both instructors have developed successful direct marketing programs for major banks and other financial services institutions.

• **Managing for Fulfillment Excellence** is a one-day-course which emphasizes the important of back-end operations. Since fulfillment affects so many areas, this course is intended for company presidents, operating executives, controllers, financial officers, and fulfillment superintendents. The program includes these subjects:

How to evaluate your operation
How to organize
How to reduce/avoid problems
Sources of help
Cost reduction approaches

This course has been developed and is led by Stanley J. Fenvessy, Chairman of Fenvessy & Schwab, Inc., a New York management consulting firm specializing in direct response fulfillment and customer service. An attorney and certified management consultant, Fenvessy is both an author and lecturer in the fulfillment area.

• **The Law and Direct Marketing**, a one-day legal seminar designed especially for direct marketers, analyzes in non-technical language the laws and regulations relating to direct marketing. Since legal issues affect all levels of the direct-marketing industry, this program is particularly valuable to CEOs, presidents, general managers, small business owners, fulfillment executives, customer service supervisors, etc. Among the subjects covered:

Legal issues in list management
Telemarketing rights and limitations
Credit card fraud
Federal legislation, FTC rulings
Postal regulations
Warranties and guarantees

This program is led by attorney Arthur Winston, senior partner of Winston & Sherman (New York), which represents more than 100 direct marketing companies. Mr. Winston is also noted as a teacher, writer and speaker on direct marketing subjects. Joining him is DMA's John Cavanaugh, an expert in industry self-regulation and consumer services, who will speak on ethical issues in direct marketing.

- **Print and Production** is a one-day program designed for production managers with limited experience, marketing or promotions managers who must plan marketing strategies, and copywriters and designers who must create compelling, persuasive material within strict cost limitations. The program includes these key areas:

Project planning
Paper
Composition
Artwork, engravings and process color
Binding and finishing
Production

This program is led by Philip Battaglia, a major force in the U.S. printing industry. As founder and president of *Printing Management*, as executive vice president and national secretary of the National Association of Lithographers, etc., Mr. Battaglia has lectured extensively and is the editor of *Productivity Plus*, an industry newsletter.

- **Fundamentals of Magazine Circulation** is a two-day intensive program highly recommended for circulation directors, managers and assistants, editors, data processing managers, subscription managers, etc. Among the topics covered are:

Why publishers have sharpened their focus on magazine circulation
Assessment of potential profits of subscriptions from others
Creation of direct mail packages worth their expense
What to expect from sales agents
How to create a stronger program for single-copy sales
How to improve subscription renewals

The program is conducted by J. Wendell Forbes, well-known publishing expert and consultant. Prior to establishing his consulting business, Forbes was with Time Inc. for 23 years where he held several top positions including circulation director for *Life*. He has lectured extensively and is the author of numerous essays and articles. Forbes is a past chairman of DMA's Board of Directors.

- **The Catalog Institute** is a three-day program designed for anyone involved in the development, creation, and production of a mail-order catalog. Included in the curriculum are these major subjects:

The power of catalogs
How catalog selling differs
Organization
Design
Production
Evaluating results

This program includes a critique and discussion of the catalogs submitted by course participants. The program is conducted by Dick Hodgson who also teaches the Basic Institute.

- **Winning Direct Mail II**, a two-day course, is a copywriting program for all creative management—agency and client alike, newcomers and seasoned professionals. Among the topics covered are:

Skills and qualities needed for creative success
The underlying law of creativity in direct marketing
Where creativity starts in the "big picture"
12 crucial creative rules
How to develop creative concepts that sell

This program is developed and conducted by Joan Throckmorton, President of Joan Throckmorton, Inc. Prior to establishing her own marketing and advertising firm, Ms. Throckmorton was associated with Time Inc., Cowles Communications, Inc., Doubleday & Company, and American Heritage. She also lectured extensively and in 1976 was selected by *Business Week* as one of the top 100 Corporate Women in America. Ms. Throckmorton was a member of the DMA Board of Directors and a member of both its executive committee and long-range planning committee.

- **Database Marketing I & II** are two courses highlighting the importance of the database in direct marketing today.

Course I—Introduction and Applications is a two-day program intended for direct marketing managers and assumes no familiarity with database marketing. Subjects covered include:

Introduction to database
Steps to database marketing
Direct marketing database elements
Database targeting

Course II—Quantitative Methods is a two-day program for direct marketing analysts and researchers which assumes a basic understanding of statistics and financial spreadsheet models. Subjects include:

Advanced database design
Multivariate statistical techniques
List segmentation using multiple regression
Applying long range financial models

Both programs have been developed and will be taught by Richard J. Courtheoux, a consultant with Kestnbaum & Company where he heads the Quantitative Methods activities. He has worked with diverse clients including American Express, IBM, and Lillian Vernon. He has taught extensively and is the author of numerous articles on database-marketing.

Section II

Programs of the Educational Foundation

The primary purpose of the Direct Marketing Educational Foundation is to improve the quality and scope of direct marketing education at the university level. Currently, the Foundation sponsors eight major programs.

These programs have resulted in a greater expansion of direct marketing education at the university level. Students and educators are more aware of the direct marketing field and recognize direct marketing's worth and potential as an advertising medium. Consequently, through these many programs, more and more top college students are choosing direct marketing as a career upon graduation.

The Direct Marketing Educational Foundation is non-profit and is supported entirely by contributions.

Collegiate Institute Scholarship Program

This program for college seniors consists of a five-day intensive seminar on all aspects of direct marketing. A faculty of about a dozen experts in the field conduct sessions in their specialty. The Foundation sponsors two Institutes a year.

Seniors in marketing, advertising, business administration, journalism, mass communications, or related fields are eligible to apply. Only 30-32 highly qualified students are granted scholarships for each Institute. Criteria include: recommendation from faculty members; academic standing; interest in advertising and marketing; extra-curricular activities; part-time or full-time employment record (special consideration is given to employment in advertising, journalism or sales areas).

Direct Marketing Institutes for Professors

A three-and-one-half day direct marketing institute for educators who are teaching or planning to teach direct marketing courses. Attendance is on a fellowship basis. Professors learn about the different areas in direct response and get assistance with curriculum development. The major purpose of the Institute is to increase the number of full or partial courses in direct marketing, provide a forum for the exchange of ideas between educators and practitioners and ultimately increase the number of students exposed to direct marketing.

DMEF Summer Internship Program

In an effort to bring more students into the rapidly-growing field of direct marketing, approximately a dozen students who are about to enter their senior college year are awarded summer internships on a scholarship basis to New York City direct marketing firms. Jobs for interns are determined by the participating firms according to their needs. Typical functions involve hands-on training in the basics of direct marketing in such positions as mailing list maintenance supervisor, marketing research assistant, subscription fulfillment supervisor, copywriter, production assistant or layout artist.

Interns meet periodically as a group to learn from experts from other companies, learn about direct marketing careers, and discover functions and techniques unique to the industry.

Each intern is responsible for his/her own transportation and housing in New York City. Salaries are determined by the participating companies.

In addition to setting up the New York-based program, the Foundation is assisting the Chicago Association of Direct Marketing in their summer Internship Program and will also assist any other direct marketing club wishing to conduct such a program.

Fellowship Program

This program is for college professors who teach or plan to teach courses in direct marketing. The purpose is to provide an education in the basic uses and functions of the medium which can then be translated into meaningful undergraduate and graduate programs. It is hoped that through a broader understanding of the medium and its role, greater emphasis will be placed on the teaching of direct marketing through more in-depth coverage of the subject in college level courses.

Full-time educators in the areas of advertising, marketing, journalism, business and related subjects are eligible to apply. Recipients of these fellowships attend DMA's Basic or Advanced Institutes and have the opportunity to make contact with the business community.

Career Days

Career Days are held in conjunction with DMA's Annual and Spring Conferences. Students and professors from nearby colleges and universities are invited for the day, and attend a special program on direct marketing . . . its uses, advantages and career opportunities. Special sessions are also conducted for professors to introduce them to the Foundation's many educational services and to encourage more extensive teaching of our subject.

Visiting Executive Program

In an effort to reach an even larger college audience, the Foundation sponsors volunteer speakers throughout the country who speak at college classes, club meetings, and similar vocations. The Foundation arranges the match between the Visiting Executive and the college and provides appropriate hand-out materials.

Career Guidance

The Foundation provides assistance to individuals interested in entering the direct marketing profession. Through a series of direct marketing career brochures, interested persons are made aware of the many opportunities available in the field. Although not a placement service, the Foundation aids in the job search. In addition, individuals may send in their resumes which are then forwarded to any company which contacts the Foundation about an entry-level job opportunity. The Foundation also maintains a file of resumes of students who have attended Collegiate Institutes . . . all top students in advertising and marketing, who have an excellent background in the various areas of direct marketing.

Course Information and Teaching Aids

The Foundation maintains a list of colleges and universities that offer undergraduate and graduate courses in direct marketing. The Foundation also assists professors interested in developing direct marketing curricula, writing texts or chapters in direct marketing, or launching appropriate research projects. Teaching aids are available at a nominal cost. A complete description of all items is available from the Foundation office.

Appendix I

Compendium of Additional Data and Sources

Compiled by the DMA Research Department

Dana Englert
Glenda Shasho
David Warhaftig

This section, completely revised for this 1985 edition, contains a collection of charts, graphs, and other information of interest to direct marketers. The information here represents a select portion of DMA's Research Library, a resource which contains approximately 400 qualitative and quantitative research studies and reports. This collection is continuously updated in order to keep abreast of marketing-related developments as well as to examine new trends in direct marketing.

The exhibits in this appendix contain much useful data. However, the studies from which this material is taken can provide readers with even more significant information; in many cases, the complete reports are available from DMA's Research Library.

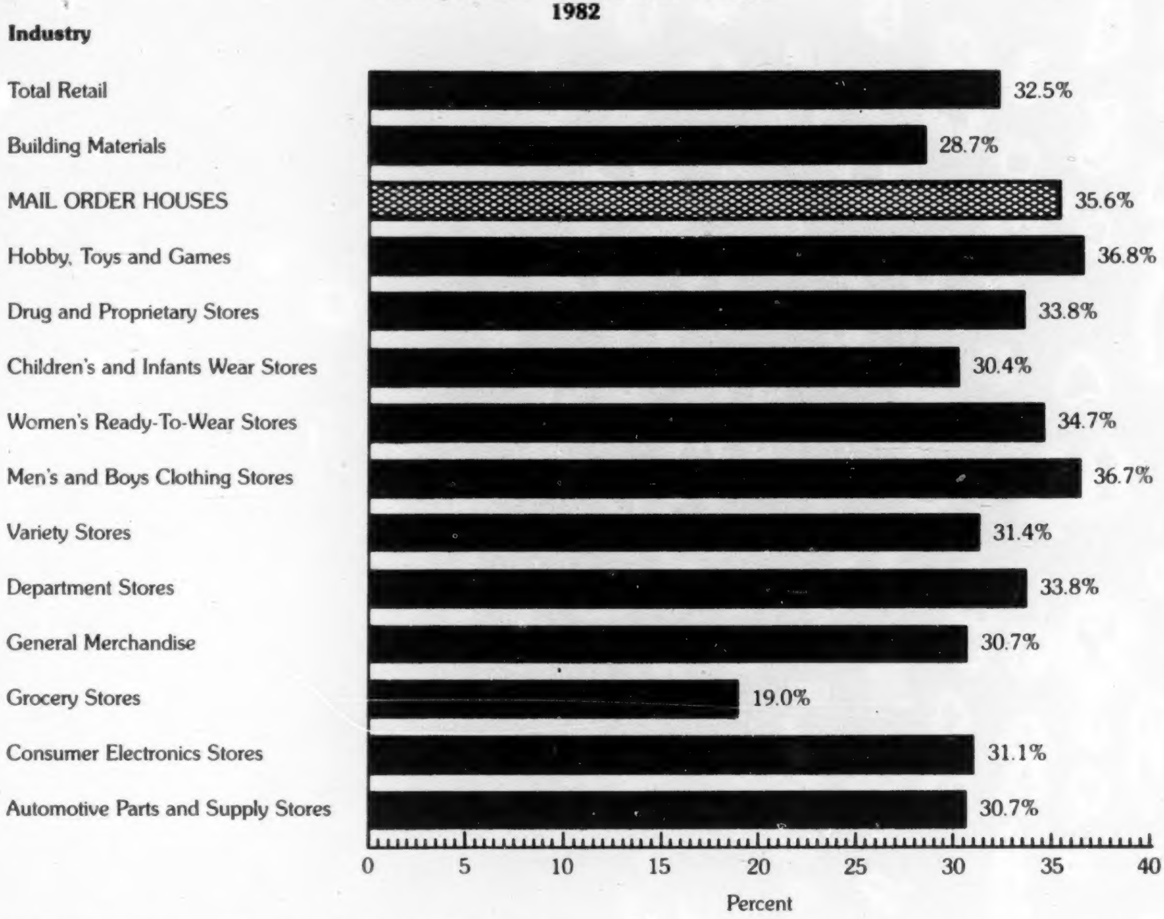
Appendix I is organized under the following topical headings:

Industry Statistics
Catalogs
Circulation
Lists
Fund Raising
Telemarketing
Coupons
Consumer Mail Order
Special Markets

Industry Statistics

- Industry Median Gross Profit-Percent
- Characteristics of Mail Order Buyers in Past 12 Months
- Top 10 Growth Opportunities Cited by Direct Marketers
- Top 10 Problems Hindering Direct Marketers

Industry Median* Gross Profit — Percent
1982



*The median of a group of items is the value of the middle item when all the items are arranged in either ascending or descending order of magnitude.

Source: Dun and Bradstreet, Inc., 1983

Characteristics of Mail Order Buyers in Past 12 Months*

	Total Buyers (000)	Any Product	Cook Books	Book Club Books	Cosmetics	Records	Magazines	Photo Processing	Fruit, Cheese, Specialty Foods	Clothing	Vitamins
Total Adults	57,442	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Males	23,345	40.6	22.4	30.8	11.7	41.7	41.3	30.8	26.7	27.2	39.3
Females	34,098	59.4	77.6	69.2	88.3	58.3	58.7	69.2	73.2	72.8	60.7
18-24	8,313	14.5	11.9	16.0	19.0	21.0	14.6	14.0	6.5	10.9	7.8
25-34	14,861	25.9	26.9	32.7	28.4	25.1	27.9	29.9	21.4	24.1	19.3
35-44	11,400	19.8	21.8	18.0	19.0	18.0	19.2	20.5	20.2	19.5	15.0
45-54	8,344	14.5	19.3	17.0	14.7	15.3	13.6	16.6	22.1	17.7	17.4
55-64	7,454	13.0	10.5	10.4	11.0	12.1	14.2	10.8	14.5	13.5	22.2
65 or older	7,072	12.3	9.5	5.9	8.0	8.4	10.4	8.2	15.2	14.4	18.3
Graduated College	11,723	20.4	16.3	27.0	19.9	22.4	21.4	20.1	30.3	19.8	23.8
Attended College	11,539	20.1	23.8	24.7	19.7	21.3	21.3	20.4	22.8	19.4	17.0
Graduated High School	23,282	40.5	42.1	37.4	45.8	37.7	41.5	45.3	30.4	41.8	39.0
Did Not Graduate High School	10,898	19.0	17.8	10.8	14.6	18.6	15.9	14.2	16.4	19.0	20.2
Professional/Manager	11,968	20.8	18.6	25.9	19.7	20.7	22.1	20.8	30.3	21.0	20.4
Clerical/Sales	11,026	19.2	22.2	22.6	24.5	22.3	21.5	21.4	18.6	22.5	20.5
Craftsmen/Foremen	3,773	6.6	2.4	4.3	1.2	6.5	6.4	5.0	4.4	4.1	4.4
Other Employed	9,419	16.4	14.3	14.2	17.6	17.8	15.3	13.9	8.5	14.3	12.5
Single	9,556	16.6	15.6	20.7	19.1	21.7	17.5	14.2	6.6	13.3	14.0
Married	39,081	68.0	68.6	67.6	61.6	63.3	68.2	75.2	77.8	69.6	68.0
Divorced, Separated or Widowed	8,806	15.3	15.9	11.8	19.2	15.0	14.4	10.6	15.6	17.0	18.0
Parents	23,241	40.5	42.6	41.5	43.1	39.3	39.8	53.2	36.9	40.6	33.1
Northeast	13,071	22.8	26.1	24.9	21.2	24.0	24.4	36.3	28.9	22.7	26.9
East Central	9,017	15.7	12.7	13.8	13.2	16.3	15.4	16.5	11.9	17.1	12.8
West Central	10,747	18.7	13.8	18.1	20.3	18.7	18.7	18.4	17.9	21.1	21.2
South	15,313	26.7	28.8	23.9	26.7	29.0	24.9	20.1	25.4	25.0	19.2
Pacific	9,294	16.2	18.7	19.3	18.7	11.9	16.6	8.8	15.8	14.1	20.0

*For additional information, see pages 63-66

Source: Simmons Market Research Bureau; 1983 Study of Media and Markets.

(cont'd)

Characteristics of Mail Order Buyers in Past 12 Months, Cont.*

	Needlecraft Kits Supplies	Tools	Cookware, Kitchen Accessories	Trees, Plants, Seeds	Auto Accessories	Other Books	Insurance	Investment Information	Shoes & Boots	Audio Cassette Tapes
Total Adults	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Males	13.6	67.2	24.1	39.6	68.5	47.6	43.8	59.6	36.2	44.4
Females	86.4	32.8	75.9	60.4	31.5	52.4	56.2	40.4	63.9	55.6
18-24	10.1	8.6	10.5	5.3	18.1	11.0	10.6	2.9	11.7	19.1
25-34	28.2	22.2	27.8	22.8	22.4	24.9	22.8	24.1	23.4	23.3
35-44	20.2	23.3	22.5	19.8	17.8	24.4	17.4	26.3	16.4	20.5
45-54	17.2	12.7	15.1	20.7	16.1	14.8	10.8	18.3	17.9	17.9
55-64	12.4	17.2	13.2	16.0	13.3	13.5	19.9	16.7	13.8	11.5
65 or older	12.0	9.0	10.9	15.5	12.3	11.4	18.6	11.7	16.8	7.6
Graduated College	20.2	21.2	27.2	26.3	19.7	28.0	17.3	45.2	17.1	21.3
Attended College	25.5	22.8	19.3	19.0	21.0	20.0	16.9	21.7	22.0	20.8
Graduated High School	41.0	41.2	34.8	34.7	38.9	35.1	37.9	22.1	39.8	45.7
Did Not Graduate High School	13.2	14.7	18.7	19.9	20.4	17.0	27.9	11.0	21.2	12.2
Professional/Manager	17.1	22.7	30.8	25.8	19.5	28.5	19.5	41.9	18.7	20.3
Clerical/Sales	24.4	17.7	15.1	21.1	14.4	13.4	10.0	19.5	17.3	24.5
Craftsmen/Foremen	2.9	12.4	4.6	4.5	12.1	7.9	4.5	3.9	5.6	5.1
Other Employed	17.9	16.3	13.8	13.0	18.4	11.9	15.9	11.1	16.2	19.3
Single	8.2	13.5	15.2	7.9	25.3	18.9	15.8	16.5	14.4	22.5
Married	79.1	76.2	68.8	76.6	62.4	66.6	65.3	69.5	69.1	65.7
Divorced, Separated or Widowed	12.6	10.3	16.0	15.5	12.2	14.5	18.9	14.1	16.6	11.8
Parents	42.6	38.8	37.3	36.5	32.9	35.9	36.4	31.6	42.2	39.7
Northeast	23.8	26.6	24.0	22.6	25.2	18.6	18.8	28.9	20.7	22.6
East Central	18.2	13.7	11.5	16.5	12.9	16.2	19.4	14.8	17.5	17.9
West Central	22.4	16.1	13.6	20.3	23.6	12.9	24.6	18.2	20.6	16.6
South	23.5	20.0	29.0	26.7	21.2	26.5	27.6	19.2	28.7	25.1
Pacific	12.1	23.6	21.9	13.8	17.1	25.9	9.6	18.9	12.5	17.7

*For additional information, see pages 63-66

Source: Simmons Market Research Bureau: 1983 Study of Media and Markets.

(cont'd)

Characteristics of Mail Order Buyers in Past 12 Months, Cont.*

	Total Buyers (000)	Any Product	Cook Books	Book Club Books	Cosmetics	Records	Magazines	Photo Processing	Fruit, Cheese, Specialty Foods	Clothing	Vitamins
Metro Central City	15,859	27.6	30.5	32.6	30.8	28.3	30.1	19.8	28.5	24.3	32.9
Metro Suburban	26,854	46.7	44.9	45.8	47.1	45.1	12.3	47.3	47.6	47.3	40.7
Non-Metro	14,729	25.6	24.6	21.6	22.2	26.5	45.0	32.9	23.9	28.4	26.4
Household Income:											
$30,000 or More	22,017	38.3	33.3	41.9	38.4	36.3	25.0	38.2	50.7	39.3	38.9
$25,000 or More	29,021	50.5	48.2	53.4	52.4	49.4	38.9	50.3	62.5	51.5	48.5
$20,000-$24,999	7,196	12.5	14.8	12.0	11.4	10.4	50.7	17.0	10.9	13.6	11.1
$15,000-$19,999	6,152	10.7	12.2	13.6	9.5	11.9	12.8	18.2	5.6	10.5	11.8
$10,000-$14,999	7,396	12.9	12.1	11.5	12.2	16.4	11.4	8.8	8.4	11.4	11.8
Under $10,000	7,677	13.4	12.7	9.6	14.5	11.9	13.5	5.7	12.5	13.0	16.8
Household size:											
1 Person	6,191	10.8	8.9	9.9	11.7	11.9	11.0	8.6	12.5	10.5	13.2
2 People	17,948	31.2	33.9	29.5	27.8	29.8	32.1	24.4	38.1	32.0	40.9
3 or 4 People	23,736	41.3	37.9	44.9	41.5	37.1	41.4	43.4	36.3	41.4	32.9
5 or More People	9,568	16.7	19.2	15.7	19.0	21.2	15.5	23.6	13.1	16.1	13.0
No Child in Home	31,202	54.3	54.8	52.2	50.8	53.2	55.2	40.6	58.4	54.4	65.9
Child(ren) Under 2 yrs.	3,469	6.0	7.6	7.1	6.2	6.2	6.5	9.9	2.9	5.2	2.2
2-5 yrs.	9,959	17.3	16.6	20.0	20.0	15.6	15.1	19.5	18.0	15.9	11.1
6-11 yrs.	12,052	21.0	21.1	20.3	20.0	18.7	19.7	26.6	13.2	21.1	16.9
12-17 yrs.	12,601	21.9	23.8	19.5	26.0	23.2	21.5	29.7	22.2	24.3	19.1
Residence Owned	44,036	76.7	71.4	72.2	67.6	68.5	74.7	77.4	82.9	82.1	80.1
Value:											
$50,000 or More	26,722	46.5	47.3	44.2	42.3	39.1	46.9	47.9	59.5	50.6	53.4
Under $50,000	17,315	30.1	24.1	27.9	25.3	29.3	27.8	29.5	23.5	31.5	26.6

*For additional information, see pages 63-66
Source: Simmons Market Research Bureau, 1983 Study of Media and Markets

(cont'd)

Characteristics of Mail Order Buyers in Past 12 Month, Cont.*

	Needlecraft, Kits Supplies	Tools	Cookware, Kitchen Accessories	Trees, Plants, Seeds	Auto Accessories	Other Books	Insurance	Investment Information	Shoes & Boots	Audio Cassette Tapes
Metro Central City	26.0	24.2	30.1	17.5	23.3	31.9	27.1	40.5	28.2	29.8
Metro Suburban	46.7	51.7	50.7	46.6	46.8	48.9	44.8	41.0	41.7	42.8
Non-Metro	27.3	24.1	19.1	35.9	29.9	19.2	28.0	18.6	30.2	27.5
Household Income:										
$30,000 or More	40.9	48.1	38.1	39.6	46.4	39.6	26.8	59.2	38.6	42.4
$25,000 or More	54.5	60.9	52.3	52.9	56.7	50.7	36.3	68.6	50.2	55.7
$20,000-$24,999	13.1	9.3	14.0	13.6	8.0	10.3	18.0	12.4	10.9	12.1
$15,000-$19,999	9.1	10.6	9.1	10.9	10.9	12.0	9.8	2.6	8.6	9.9
$10,000-$14,999	15.3	11.7	11.4	13.7	9.9	15.9	13.1	9.7	11.8	11.0
Under $10,000	8.0	7.5	13.3	9.0	14.6	11.1	22.8	6.6	18.5	11.3
Household size:										
1 Person	9.4	6.0	12.8	8.3	8.1	12.8	16.6	13.3	12.8	9.3
2 People	34.2	39.8	36.6	38.0	33.4	33.2	31.2	42.9	29.9	32.4
3 or 4 People	38.5	34.8	34.6	38.2	40.5	40.9	34.8	32.4	40.6	40.7
5 or More People	18.0	19.3	16.0	15.5	18.1	13.1	17.4	11.4	16.8	17.6
No Child In Home	56.1	57.4	59.1	60.6	60.3	61.9	57.0	66.3	53.6	52.5
Child(ren) Under 2 yrs.	8.1	2.8	5.0	3.0	2.3	5.0	6.0	4.1	5.5	4.8
2-5 yrs.	16.3	16.2	16.4	16.1	11.3	15.3	16.7	9.3	20.2	15.1
6-11 yrs.	19.2	19.3	17.6	18.3	23.5	17.7	19.2	13.5	20.6	19.8
12-17 yrs	22.2	22.5	20.3	20.0	21.4	16.4	21.9	18.0	22.7	23.7
Residence Owned	80.3	83.6	75.3	39.7	81.7	76.0	74.6	87.6	82.9	77.4
Value:										
$50,000 or More	54.8	56.5	48.2	55.7	50.3	47.7	40.0	66.2	43.6	47.9
Under $50,000	25.5	27.1	27.1	34.1	31.5	28.3	34.7	21.4	39.3	29.5

*For additional information, see pages 63-66

Source: Simmons Market Research Bureau: 1983 Study of Media and Markets.

Top 10 Growth Opportunities Cited By Direct Marketers

Number of Respondents	Total+* (708) %
Increasing the number of sales to current customers	87.4
Customer data segmentation techniques for targeting	86.2
Developing an image which differentiates your company from your competitor's company	83.3
Long range strategic planning	82.5
Use of advanced computer technology in data base management	81.9
Use of computers to reduce operating costs	81.5
Improved data processing systems for streamlining overall operations	81.5
Brighter economic outlook	77.7
Increased use of systems which improve mailing efficiency	75.0
Use of pre-testing prior to roll-out	74.2

+Rating: Extremely/Very Important

*Total adds to more than 100% because of multiple mentions.

Source: DMA Trend Study, Goldring and Company, Inc., 1984

Top 10 Problems Hindering Direct Marketers

Number of Respondents	Total+* (708) %
Costs of postage	84.0
Costs of printing	78.2
Being able to hold customers on a longer term basis	70.3
Competition for my prospects' direct dollar	69.5
Developing offers which produce more qualified prospects	69.2
Developing consumer benefits and services which are different from competitors	67.7
Developing profitable new products	66.1
Cost of paper	65.7
Fraudulent direct marketers giving direct marketing a bad name	63.6
Developing new and unique creative formats for direct mail pieces	63.4

+Rating: Extremely/Very Important

*Total adds to more than 100% because of multiple mentions.

Source: DMA Trend Study, Goldring and Company, Inc., 1984

Catalogs

- Geographic Region of Purchaser Segments*
- Population Density of Purchaser Segments*
- Household Income of Purchaser Segments*
- Household Size of Purchaser Segments*
- Household Lifestage of Purchaser Segments*
- Catalog Production & Packaging Practices*
- Media Usage by Catalogers
- CatalogSCAN Data

* These charts are derived from the National Family Opinion Mail Order Monitoring Service (MOMS Program). This program is a quarterly study of consumer purchasers from mail order catalogs. Every quarter, a questionnaire is sent to 20,000 nationally representative households. The resulting information is available on a syndicated basis, thus allowing the program's subscribers to monitor the purchase activity of a large sample of households in a cost effective manner.

Purchaser Segmentation

Geographic Region of Purchaser Segments
1982

Geographic Region	Total Population	Heavy Purchasers (over $165)	Medium Purchasers ($51-$164)	Light Purchasers ($1-$50)	Very Light/ Nonpurchasers (No Response/No Purchase)
New England	5.4%	5.3%	5.5%	5.5%	5.3%
Middle Atlantic	16.4%	16.6%	16.4%	15.7%	16.6%
East North Central	18.1%	17.5%	18.3%	18.2%	18.2%
West North Central	7.9%	8.7%	8.6%	8.5%	7.2%
South Atlantic	16.7%	16.4%	16.1%	16.4%	17.0%
East South Central	6.3%	6.0%	6.0%	6.1%	6.5%
West South Central	10.2%	12.2%	10.2%	9.5%	9.9%
Mountain	5.1%	5.0%	5.2%	5.6%	4.9%
Pacific	14.0%	12.4%	13.8%	14.4%	14.4%
	100.0%	100.0%	100.0%	100.0%	100.0%

Source: NFO's Mail Order Monitoring Service (MOMS Program), 1982.

Purchaser Segmentation

Population Density of Purchaser Segments
1982

Geographic Region	Total Population	Heavy Purchasers (over $165)	Medium Purchasers ($51-$164)	Light Purchasers ($1-$50)	Very Light/ Nonpurchasers (No Response/No Purchase)
Non-SMSA	27.9%	33.6%	30.8%	28.6%	25.2%
50,000-499,999	18.1%	16.5%	18.0%	18.4%	18.6%
500,000-1,999,999	26.9%	22.1%	25.1%	26.7%	28.7%
2,000,000 and Over	27.2%	27.8%	26.1%	26.4%	27.5%
	100.0%	100.0%	100.0%	100.0%	100.0%

Source: NFO's Mail Order Monitoring Service (MOMS Program), 1982.

Purchaser Segmentation

Household Income of Purchaser Segments 1982

Household Income	Total Population	Heavy Purchasers	Medium Purchasers	Light Purchasers	Very Light/ Nonpurchasers
		(over $165)	($51-$164)	($1-$50)	(No Response/No Purchase)
Under $10,000	27.1%	16.9%	22.6%	26.5%	31.4%
$10,000-$14,999	14.8%	12.7%	14.5%	15.4%	15.3%
$15,000-$19,999	13.3%	14.2%	13.2%	14.3%	12.9%
$20,000-$24,999	12.3%	13.7%	13.4%	13.0%	11.3%
$25,000-$29,999	9.5%	11.4%	11.2%	9.7%	8.5%
$30,000-$34,999	7.4%	9.4%	8.1%	7.0%	6.8%
$35,000-$39,999	3.7%	5.1%	4.0%	3.6%	3.3%
$40,000 and Over	11.8%	16.6%	13.0%	10.6%	10.5%
Average Household Income	$19,010	$21,850	$20,200	$18,910	$17,960

Source: NFO's Mail Order Monitoring Service (MOMS Program), 1982.

Purchaser Segmentation

Household Size of Purchaser Segments 1982

Geographic Region	Total Population	Heavy Purchasers	Medium Purchasers	Light Purchasers	Very Light/ Nonpurchasers
		(over $165)	($51-$164)	($1-$50)	(No Response/No Purchase)
Families					
Two Members	28.6%	26.4%	27.4%	28.2%	29.7%
Three Members	17.4%	19.7%	19.0%	17.9%	16.1%
Four Members	15.5%	18.9%	17.8%	15.5%	13.9%
Five or More Members	12.6%	16.6%	13.1%	11.7%	11.6%
Nonfamilies	26.0%	18.4%	22.7%	26.7%	28.7%
Average Household Size	2.7	3.0	2.8	2.7	2.6

Source: NFO's Mail Order Monitoring Service (MOMS Program), 1982.

Purchaser Segmentation

Household Lifestage of Purchaser Segments 1982

Household Lifestage	Total Population	Heavy Purchasers	Medium Purchasers	Light Purchasers	Very Light/ Nonpurchasers
		(over $165)	($51-$164)	$1-$50)	(No Response/No Purchase)
Bachelor(ette)	9.6%	7.8%	8.7%	9.7%	10.3%
Young Couple	9.2%	9.3%	9.0%	10.8%	8.7%
Young Parent	17.8%	20.5%	19.7%	19.6%	15.9%
Middle Parent	13.0%	16.1%	14.2%	12.3%	12.0%
Older Parent	8.8%	10.9%	9.5%	8.0%	8.4%
Working Older Couple	14.1%	16.7%	15.0%	12.8%	13.6%
Retired Older Couple	13.8%	10.7%	12.1%	12.8%	15.4%
Solitary Survivor	13.8%	8.1%	11.7%	14.2%	15.8%

Source: NFO's Mail Order Monitoring Service (MOMS Program), 1982.

Catalog Production & Packaging Practices

by Dana L. Englert, Direct Marketing Association, Inc.

This report presents findings of the Catalog Production Survey conducted among 823 catalogers by DMA's research department. The purpose of this research was to compile and provide a statistical overview of the catalog industry, touching on subjects of organizational structure, the economics and the operations of catalog companies and catalog production methods.

Questionnaires were sent to an identified key contact person to complete or to forward to the most appropriate person for completion. Recipients were assured replies would be kept confidential and would be used for statistical purposes only. For their help, respondents received a final report summary.

When answering the questionnaire, catalogers based their answers on their "main or basic catalog."

Overall, this study reveals that catalogers use many different approaches when designing, assembling, mailing and marketing a catalog.

Profile of Respondents

The "type" of cataloger who responded to this survey varied greatly. Therefore, the statistics generated from this study are representative of the catalog industry as a whole, not any distinct segment. The background information collected describing the respondents is discussed below. Twenty-four percent (193) of those catalogers queried responded to the survey.

- A large portion of the respondents (44.9 percent) design only one "type" of catalog; more than one-fifth (22.8 percent) design two different "types" of catalogs, and the remainder (32.5 percent) design from three to 24 catalog "types."
- The only common characteristic of the 193 respondents is that they distribute the catalog that best represents their company nationally (86 percent), as opposed to regionally (5.7 percent) or internationally (7.3 percent).
- Companies' annual gross sales were evenly spread and varied from $250,000 to $10 million or more.
- For 62 percent, consumers are the primary audience; 28 percent market primarily to businesses; nine percent market to both equally, and three percent listed other primary audiences.
- Catalog merchandise varied accordingly:

Merchandise Category	Percent
Clothing**	19.2
Hobbies	7.3
Housewares	9.8
Office Supplies & Equipment	13.0
Hardware & Tools	5.7
Sporting Goods, Camping	8.3
Art Objects or Collectibles	4.7
Gift Items	19.2
Food	7.3
Educational Products	7.3
Electronics & Computers	6.2
Publications & Books	7.3
Health & Beauty Aids	3.6
Other: Jewelry Garden Supplies Cameras or other Photographic Equipment	20.7

**Of those who sell clothing, the line of apparel sold and what percent each line proportionally represents in the catalog is presented below:

Clothing Merchandisers

Proportion	Women #	Men #	Children #	Specialty #
100	9	1	1	1
95-80	7	8	0	0
75-60	8	5	1	0
50	4	5	0	0
45-30	1	7	0	1
25-10	8	9	3	2
5 and less	0	1	4	1
Total	37	36	9	5

Time Schedules

The average estimated time for catalog production (from approval of the layout to in-mail delivery) is 88 days, ranging from five to 200 days. About 41 percent strictly adhere to their production schedules, leaving 60 percent who go off schedule—some more frequently than others.

When asked how strictly deadlines for the catalog production schedule are adhered to, respondents reported:

41.2% Always	16.6% Sometimes
39.6% Frequently	2.7% Not At All

Catalogers were also questioned as to whether an adequate amount of time is scheduled for copy, price and artwork changes; approximately 75 percent do schedule enough time to make these changes.

Type of Change

	Adequate Time	Inadequate Time
Copy	77.2%	22.8%
Price	77.8%	22.2%
Artwork	73.8%	26.2%

Elements of Catalog Production

About 47 percent of respondents select printing techniques with costs in mind, while also considering the positive effect more expensive production techniques will have on sales; 34.4 percent base the decision on costs alone, and 18.5 percent consider only the effect techniques will have on sales.

For the majority of the respondents, the basic elements of catalog production are done outside the company versus in-house production.

Production Locale

Elements	% Outside	% In-House	% Both
Retouching	87.1	12.4	0.5
Sets (studio & location)	83.5	15.4	1.1
Photography/Camera Work*	80.5	18.4	1.1
Assembly	79.9	19.6	0.5
Typesetting	75.7	22.2	2.1
Stat Work	71.8	27.1	1.1
Mechanicals	63.3	35.6	1.1
Layout	47.4	50.5	2.1

* 28.2 percent use individual photographic separation; 31.8 percent separate by using assembly and the remaining 4 percent use both methods.

Of those catalogers who market fashion items in their main catalog, five percent photograph on location only; more than one-third (37.4 percent) photograph only on "seamless" in a studio, and the majority (53.6 percent) photograph their fashion merchandise both on location and on "seamless" in a studio.

There seems to be a preference for featuring a specific product for purchase on the cover (40.7 percent), rather than designing a generic cover (29.6 percent) and/or alternating by using both techniques (29.6 percent). (Generic, for the purposes of this survey, means a mood-setting, illustrational display cover, etc.)

Allocation

The most important criterion catalogers used to determine the amount of space allocated to a particular piece of artwork is the "anticipated demand for it." Below is the ranking by importance of the criteria given and a list of "other" answers.

	Space Allocation				
Criteria	**Most Important**	**2nd Most**	**3rd Most**	**4th Most**	**No Rating**
	%	**%**	**%**	**%**	**%**
Anticipated Demand for Item	60.1	13.0	3.1	2.6	21.2
Price of an Item	3.6	26.9	27.5	16.6	25.4
Size of an Item	5.2	16.6	19.2	28.0	31.1
Image	6.7	18.1	23.8	24.4	26.9
Other	3.6	3.1	0.0	1.0	95.5

"Other" Factors Rated 1st (Most Important)	**# Replied**
Dollar Volume of Sales (sales per square inch)	7
Profit Margin of Specific Item	4
Adequate Space to Describe Product Effectively	3
New Product	3
Company Investment	1
"Other" Rated 2nd	
Complexity	3
Emphasis	2
Anticipated Profit	1
Vendor Co-op Moneys Available	1
"Other" Rated 3rd	
Gross Margin	2

Packaging and Delivery

This survey also indicated that only 33.2 percent of the respondents used outer-wraps when mailing. Of those users, 59.3 percent specified they use a wrap or sleeve; 26.6 percent said they have used a paper envelope, and 6.3 percent said they've used a plastic envelope. The most cited reason for outer-wrap use is to increase the response rate (64.0 percent). Other reasons are:

Outer-Wrap Usage	
Increase Deliverability	17.0%
Sensitive Nature of Product	3.1%
Other: Sweepstakes	15.9%
Testing	
Protection	
Organization	
Advertising	
To Change Look	
Sample Enclosed	

This article is reprinted from *Direct Marketing Journal*, Jan./Feb. 1985.

* * * * *

Media Usage By Catalogers

Number of media used	Total	Also use	Of those who use Direct Mail	Magazines
1	23.7%	Direct Mail	100.0%	64.8%
2	20.6%	Magazines	64.8%	100.0%
3	20.6%	Newspapers	42.0%	59.3%
4	16.5%	Telephone	39.8%	44.1%
5	9.3%	Television	14.8%	18.6%
6	4.1%	Radio	11.4%	11.9%
		Other	14.8%	18.6%

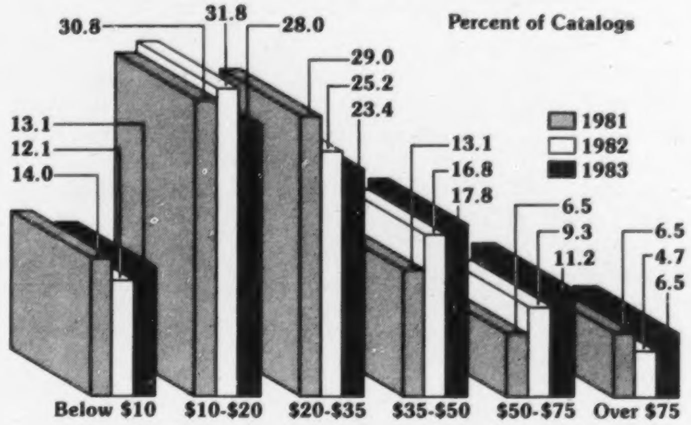
Source: Catalog Council Survey, DMA, 1984

CatalogSCAN

CatalogSCAN is a detailed historical database of more than 500 different consumer and business-to-business specialty catalogs. Developed by Kestnbaum and Company, CatalogSCAN analyzes at least 25% of the pages of each catalog by merchandise category and price.

The following charts have been derived from this database.

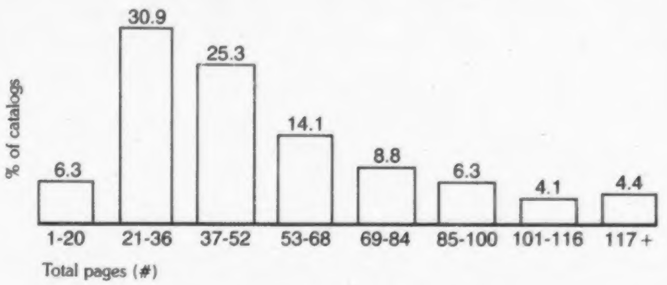
Median price of items offered by consumer specialty catalogs*



*CatalogSCAN™ data from 107 catalogs in fall 1981, 1982 and 1983

Source: R. Kestnbaum and Company, 1984

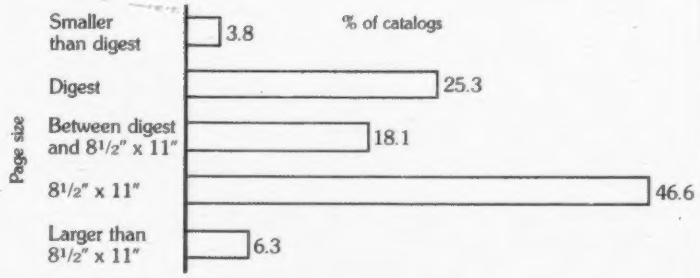
Number of pages*



*CatalogSCAN™ data from 320 fall 1983 consumer catalogs

Source: R. Ketnbaum and Company, 1984

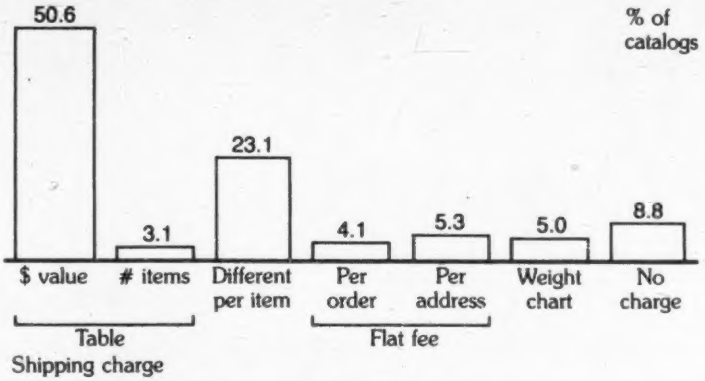
Page size*



*CatalogSCAN™ data from 320 fall 1983 consumer catalogs

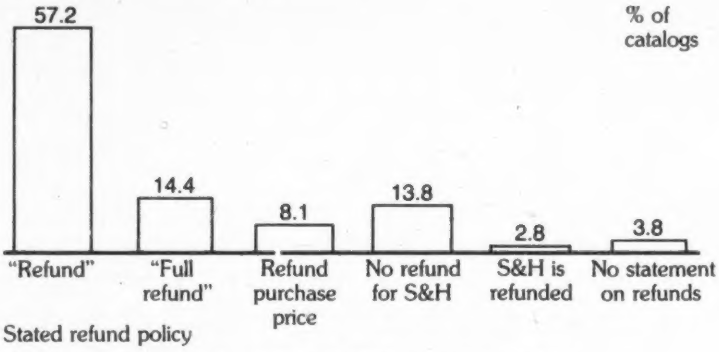
Source: R. Kestnbaum and Company, 1984

Method of computing shipping charge*



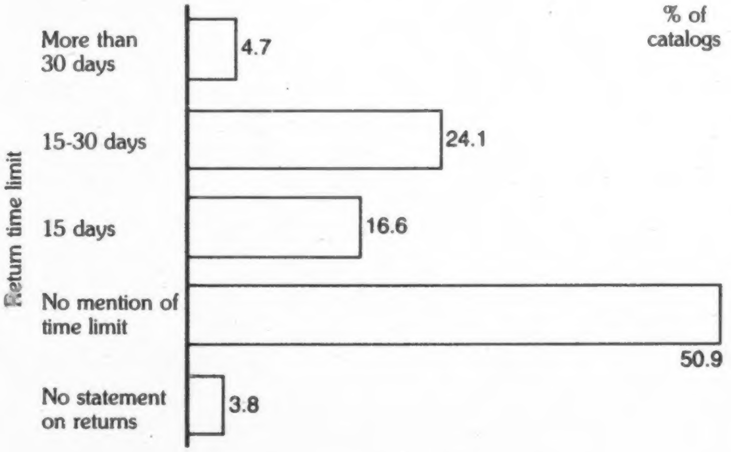
*CatalogSCAN™ data from 320 fall 1983 consumer catalogs
Source: R. Kestnbaum and Company, 1984

Refund policy re. shipping charge*

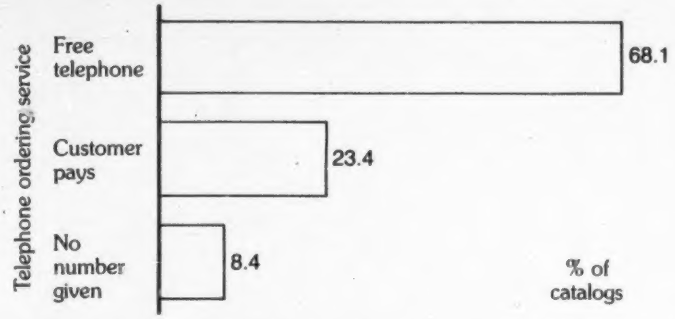


*CatalogSCAN™ data from 320 fall 1983 consumer catalogs
Source: R. Kestnbaum and Company, 1984

Return time limit*

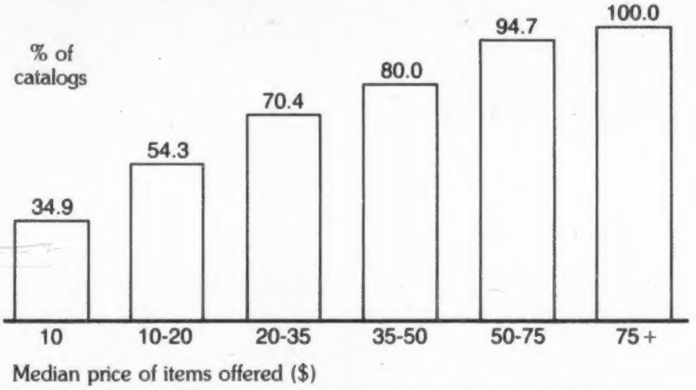


*CatalogSCAN™ data from 320 fall 1983 consumer catalogs
Source: R. Kestnbaum and Company, 1984



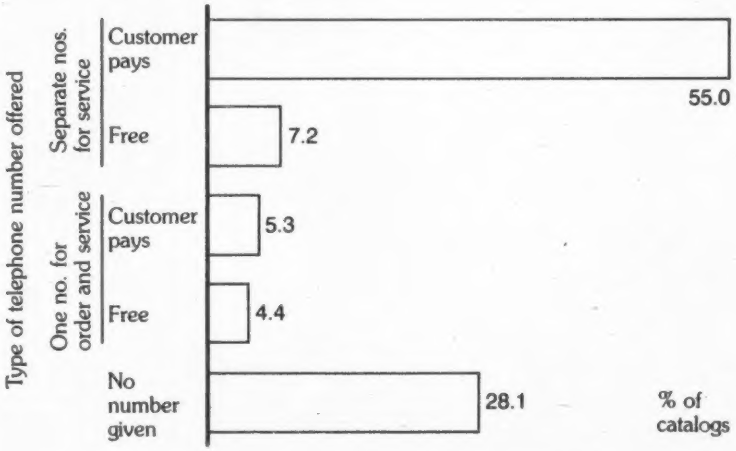
Telephone ordering service*

*CatalogSCAN™ data from 320 fall 1983 consumer catalogs
Source: R. Kestnbaum and Company, 1984



Percent of catalogs with free phone service by median price of items offered*

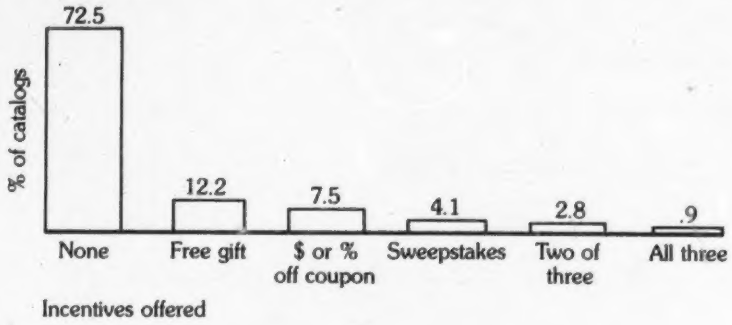
*CatalogSCAN™ data from 320 fall 1983 consumer catalogs
Source: R. Kestnbaum and Company, 1984



Customer service telephone*

*CatalogSCAN™ data from 320 fall 1983 consumer catalogs
Source: R. Kestnbaum and Company, 1984

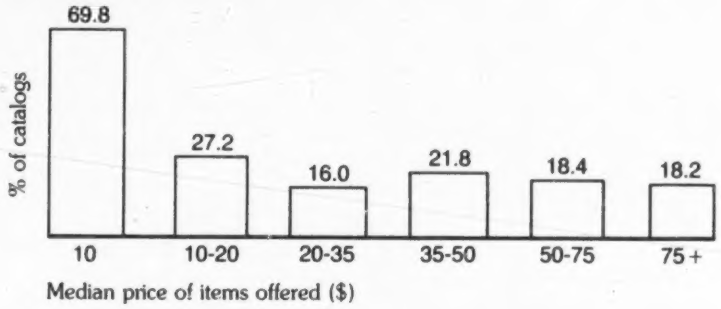
Incentives*



*CatalogSCAN™ data from 320 fall 1983 consumer catalogs

Source: R. Kestnbaum and Company, 1984

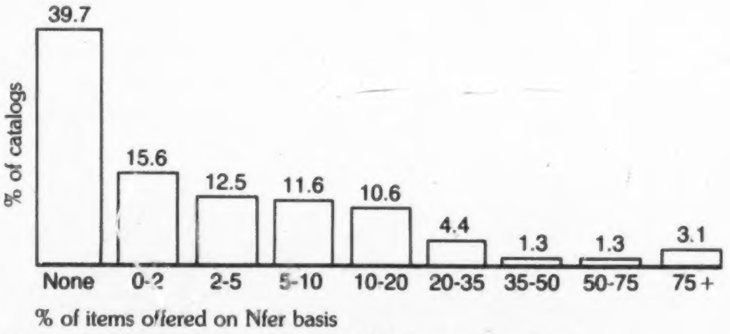
% of catalogs offering one or more incentives by median price of products offered*



*CatalogSCAN™ data from 320 fall 1983 consumer catalogs

Source: R. Kestnbaum and Company, 1984

Nfer offers*



*CatalogSCAN™ data from 320 fall 1983 consumer catalogs

Source: R. Kestnbaum and Company, 1984

Circulation

- Top 50 Consumer Magazines by Average Ad Pages per Copy
- Top 20 Consumer Magazines by Average Subscription Circulation
- Top 20 Business Magazines by Average Subscription Circulation
- DMA Circulation Council Survey

Top 50 Consumer Magazines by Average Ad Pages per Copy

Rank '83	Magazine Name	1983 Avg. Ad Pages/Copy
1	PC	389
2	Byte	361
3	Bride's	307
4	Vogue	259
5	Modern Bride	257
6	Los Angeles Magazine	205
7	Cosmopolitan	203
8	Personal Computing	202
9	PC World	189
10	80 Micro	184
11	Creative Computing	179
12	Good Housekeeping	175
13	Glamour	169
14	Softalk	161
15	Town & Country	151
16	Yachting	150
17	COMPUTE!	149
18	Sunset	148
19	Chicago	147
20	The Washingtonian Mag.	145
21	San Diego Magazine	142
22	Crusing World	141
23	Boston Magazine	136
24	Philadelphia Magazine	134
25	Motor Boating & Sailing	133

Source: Figures are Folio estimates for the calendar year 1983.
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Rank '83	Magazine Name	1983 Avg. Ad Pages/Copy
26	Architectural Digest	131
27	Mademoiselle	131
28	Harper's Bazaar	130
29	Texas Monthly	127
30	Forbes	126
31	Fortune	126
32	Skiing	126
33	Southern Living	126
34	Popular Computing	124
35	Gentlemen's Quarterly	121
36	Art in America	119
37	Money	119
38	D Magazine	118
39	Sail	118
40	Better Homes & Gardens	115
41	Boating	112
42	Inc.	112
43	Popular Photography	111
44	Modern Photography	109
45	Seventeen	109
46	Ski	109
47	Trailer Life	107
48	Woman's Day	107
49	Houston Home & Garden	106
50	Esquire	105

Top 20 Consumer Magazines by Average Subscription Circulation

Rank '83	Magazine Name	1983 Average Subscription Circ.	% Chg. '82/'83
1	Reader's Digest	17,101,135	0.0
2	National Geographic	10,492,039	−0.5
3	Modern Maturity	9,059,174	10.2
4	TV Guide	8,113,564	2.3
5	Better Homes & Gardens	7,461,148	−0.2
6	McCall's	5,568,021	0.8
7	Time	4,413,927	4.4
8	Ladies' Home Journal	4,283,149	−1.1
9	Guideposts	4,054,520	10.5
10	Good Housekeeping	3,431,335	−1.8
11	Redbook Magazine	3,326,445	−2.4
12	Newsweek	2,826,961	1.3
13	Consumer Reports	2,800,000	−2.0
14	Prevention	2,566,145	5.5
15	American Legion Magazine	2,510,194	−1.8
16	Daily Word	2,400,000	4.3
17	Sports Illustrated	2,375,354	2.8
18	Playboy	2,326,939	−7.9
19	Southern Living	2,078,270	3.8
20	U.S. News & World Report	2,047,157	−0.3

Source: Figures are Folio estimates for the calendar year 1983.
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Top 20 Business Magazines by Average Subscription Circulation

Rank '83	Magazine Name	1983 Average Subscription Circ.	% Chg. '82/'83
1	Farm Journal	981,447	−7.8
2	Progressive Farmer	637,035	−7.1
3	Real Estate Today	596,976	−1.9
4	Successful Farming	581,743	−6.3
5	Nursing '83	529,633	−2.9
6	RN	366,024	−2.3
7	ABA Journal	321,773	2.2
8	Amer. Jour. of Nursing	316,552	−8.3
9	AOPA Pilot	263,764	1.9
10	Jour. of Accountancy	263,571	3.1
11	Instructor	256,811	−2.7
12	Flying	254,513	−7.2
13	Journal of the AMA	240,485	3.0
14	American Medical News	230,232	−7.6
15	Spectrum Magazine	221,189	8.9
16	N.E. Jour. of Medicine	206,243	1.9
17	Hoard's Dairyman	196,282	−2.9
18	Prairie Farmer	193,813	−2.7
19	Learning	189,599	−0.7
20	Builder	165,061	39.9

Source: Figures are Folio estimates for the calendar year 1983.
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1982 DMA Circulation Council
Publications Survey Results

Summary and Background

This report represents the DMA Research Department's findings for the *1982 Publications Survey*, a study conducted by the DMA Circulation Council, May-June 1983 among 306 publications. This is the second *Publication Survey* conducted, though the two questionnaires are not identical, and their purposes are similar but not exactly the same. The 1982 survey is the first PLANNED annual survey, which has been conducted with the intention of compiling multi-year trend data.

The 1982 study reveals the current status of the use of direct marketing techniques and other related topics of interest, with relation to the previous year. The DMA Research Department has analyzed the results of the responses with regard to the intended purpose (below) and as a comparison to the *1981 Survey of Publications*, where applicable.

Purpose

The Council's purpose of the survey is to identify and determine trends in circulation promotion.

To enable circulation executives to determine how their promotion results compared to those of other publications during the calendar year 1982. Since every publication varies in terms of their market universe, degree of market penetration, and promotion objectives, comparing specific statistics is less important than measuring overall trends by source.

Key Findings

- Three-quarters of the respondents have increased their overall budget for circulation promotion, during 1982.
- The top four media used and the degree they were used by the total respondents in 1982 differs from that of 1981:

1981	% Use	1982	% Use
Direct Mail	96%	Direct Mail	80%
Bind-Ins	77%	Bind-Ins	78%
Direct Mail Agents	75%	Space Advertising	67%
Blow-Ins	67%	Gifts	58%

- 63% of the respondents have increased their circulation rate base, 27% remained the same, and only 7% had a decrease in their rate base.
- Renewal Rates are higher for 38% of the respondents compared with the previous year.

Methodology

The method of data collection was that of a self administered mail survey with a total universe of 306 publications. The sample was made up of DMA members only: 92 Circulation Council members, 69 DMA Publishers, and 145 other DMA members.

a. A questionnaire was designed by the DMA Circulation Council.

b. Questionnaire, cover letter (signed by Bernice Grossman, Vice Chairman of the Circulation Council) and BRE was mailed early May 1983. A different letter was sent to Council members other than that sent to DMA members who were surveyed. The "P.S." of the DMA members letter was a detachable portion for members to complete with their address, if they wanted to request a summary of survey findings, when complete.

c. A follow-up letter was mailed June 3, 1983.

d. Questionnaires were hand tabulated the week of August 29, 1983 by the DMA Council's Department and the Research Department.

Respondent Profiles

Eighty One (81) DMA members, (a 25% response rate), responded to this survey. The majority of the respondents publish more than one title and more than half of the titles published have a circulation of 500,000 or less. During 1983, most companies do not plan to increase or decrease the number of titles they publish.

Number of Titles	1982 respondents
One title	25%
circulation of over 500 M	(40%)
under 500M	(50%)
Both	(10%)
More than one title	75%
circulation of over 500M	(20%)
under 500M	(57%)
Both	(23%)
Plans during 1983	
Increase the number of titles	36%
Decrease the number of titles	—
No Change	63%
No Answer	1%

New Business Promotion Sources Used	1981	1982
Direct Mail	96%	80%
First Time		(1%)
Volume		
Up		(63%)
Down		(6%)
Same		(29%)
No Answer		(1%)
Response		
Up	(47%)	(38%)
Down	(38%)	(24%)
Same	(3%)	(39%)
No Answer	(12%)	(2%)

(Cont'd)

New Business Promotion Sources Used	1981	1982
Bind-Ins	77%	78%
First Time		(5%)
Volume		
Up		(37%)
Down		(10%)
Same		(49%)
No Answer		(5%)
Response		
Up	(45%)	(38%)
Down	(32%)	(16%)
Same	(2%)	(37%)
No Answer	(11%)	(6%)
Space Advertising	35%	67%
First Time		(6%)
Volume		
Up		(20%)
Down		(20%)
Same		(52%)
No Answer		(6%)
Response		
Up	(19%)	(15%)
Down	(33%)	(6%)
Same	—	(56%)
No Answer	(48%)	(7%)
Gifts	58%	61%
First Time		—
Volume		
Up		(51%)
Down		(6%)
Same		(33%)
No Answer		(2%)
Response		
Up	(25%)	(59%)
Down	(3%)	(10%)
Same	—	(24%)
No Answer	(7%)	(6%)
Catalog Agents		59%
First Time		—
Volume		
Up		(17%)
Down		(10%)
Same		(65%)
No Answer		(8%)
Response		
Up		(19%)
Down		(8%)
Same		(54%)
No Answer		(19%)
Blow-Ins	67%	47%
First Time		(3%)
Volume		
Up		(28%)
Down		(4%)
Same		(60%)
No Answer		(4%)
Blow-Ins—cont'd	67%	47%
Response		
Up	(45%)	(43%)
Down	(32%)	(17%)
Same	(2%)	(32%)
No Answer	(11%)	(4%)
Direct Mail Agents	75%	57%
First Time		—
Volume		
Up		(50%)
Down		(11%)
Same		(37%)
No Answer		(4%)
Response		
Up	(29%)	(54%)
Down	(10%)	(4%)
Same	—	(28%)
No Answer	(22%)	(13%)
Telephone	38%	43%
First Time		(16%)
Volume		
Up		(30%)
Down		(12%)
Same		(30%)
No Answer		(2%)
Response		
Up	(48%)	(30%)
Down	(9%)	(14%)
Same	(4%)	(30%)
No Answer	(39%)	(23%)
Scholastic Plan		35%
First Time		(7%)
Volume		
Up		(17%)
Down		—
Same		(71%)
No Answer		(7%)
Response		
Up		(21%)
Down		(11%)
Same		(50%)
No Answer		(18%)
Co-Op Mailings	22%	27%
First Time		(23%)
Volume		
Up		(36%)
Down		(5%)
Same		(32%)
No Answer		(5%)
Response		
Up	(23%)	(27%)
Down	(8%)	—
Same	—	(41%)
No Answer	(69%)	(9%)

(Cont'd)

New Business Promotion Sources Used	1981	1982
Cash Field Accounts		25%
First Time		(5%)
Volume		
Up		(15%)
Down		(10%)
Same		(65%)
No Answer		(5%)
Response		
Up		(15%)
Down		(20%)
Same		(55%)
No Answer		(10%)
Television	15%	22%
First Time		(11%)
Volume		
Up		(44%)
Down		(22%)
Same		(22%)
No Answer		—
Response		
Up	(22%)	(28%)
Down	(12%)	(39%)
Same	—	(17%)
No Answer	(66%)	(5%)
Newspaper Inserts	8%	17%
First Time		(21%)
Volume		
Up		(29%)
Down		(21%)
Same		(29%)
No Answer		—
Response		
Up	(40%)	—
Down	—	(36%)
Same	—	(36%)
No Answer	(60%)	(7%)
PDS Agent		15%
First Time		(6%)
Volume		#
Up		1
Down		1
Same		6
No Answer		1
Response		
Up		3
Down		2
Same		5
No Answer		2
Radio		6%
First Time		—
Volume		#
Up		3
Down		1
Same		1
No Answer		1
Response		
Up		1
Down		2
Same		1
No Answer		2

Billing and Collection Results

The majority of the respondents (more than 50%) have seen no change between 1982 and 1983 with regard to collection rate on credit orders, the average number of billing efforts sent in order to collect, or the percentage of subscribers for whom you must send multiple billing efforts.

	% Replied
Status of Collection (Pay Up) Rate on Credit Orders, compared with 1982	
Higher	14%
Lower	17%
Same	56%
No Answer	14%
Status of the Average # of Billing Efforts Needed To Be Sent, compared with 1982	
Increased	16%
Decreased	2%
Same	70%
No Answer	11%
Status of Multiple Billing Efforts Needed To Be Sent To Subscribers, compared with 1982	
Increased	27%
Decreased	5%
Same	54%
No Answer	14%

Comments

Throughout the analysis it is evident that the respondents are generally successful in their promotional efforts, and circulation executives' promotional plans and actual results were basically similar during 1982. This study will be most useful and effective in the future when multi-year trend data are compiled and analyzed.

Lists

- The Kleid Company Seasonality Study/Update #8—March 1984
- A Mailer's Need for List Information Differs from the Broker's Need
- Number of Mailing Lists Tested in Last 12 Months
- Months of Year when Mailing Lists Are Tested
- Important Criteria when Testing Mailing Lists
- DMA Mailing List Usage Survey

Seasonality Study / Update #8 — March 1984

Prepared by The Kleid Company, Inc.

The primary objective of this Seasonality Study is to draw together information on seasonal patterns which can be directional in making a considered business decision on 'when should we drop'.

One comment which surfaces from time to time about our study is that it is based on volume and not on response. True — but not true. The assumption we make is that most companies schedule their mailings within the time frames which historically have been most responsive. Of course there are variations to this theme, but one decision point is critical: based on financial principles, no company will continue to mail *in volume* in a time period that dramatically increases the cost of doing business.

The data employed for these studies are developed within a consistent methodology. Further, the *overall* results are compared internally to a company-by-company analysis *based on response* over a representative spectrum of product categories. This further analysis does show a definite correlation between the volume criteria used in this study and response.

Let's take a look at the top three months in the last three years and you will see that December has strongly developed as the top month. This is due to the fact that many companies are dropping before Christmas.

Top Three Months Over a Three Year Period

	1981-82			1982-83			1983-84		
	1	2	3	1	2	3	1	2	3
Business/Finance	Dec	Jan	July	Dec	Jan	Mar	Dec	Jan	Oct
Cultural Reading	Dec	June	Sept	Dec	June	Oct	Dec	June	Jan
General Reading	July	Dec	Jan	Dec	June	Jan	Dec	July	June/Sept
Self-Improvement	Dec	Sept	Jan	Dec	Jan	Sept	Dec	Jan	Sept
Home Interest	Feb	Jan	July	Dec	Jan	June	Dec	July	Sept
Parents & Children	July	Jan	Dec	July	Dec	Jan	July	Jan	Dec
Hobbies/Related Subjects	July	Dec	Jan	Dec	July	Jan	Dec	July	Jan
Entertainment	July	Aug	Sept	Dec	Jan	July	Dec	Jan	July/Oct
Educational, Technical, Professional	June	Dec	July	Jan	Dec	Nov	Dec	Jan	Aug
Fund Raising	Nov	Feb	Oct	Sept	Feb	Mar	Dec/Feb	Oct	Nov
Summary:	July (4)	Jan (3)	July (3)	Dec (7)	Jan (4)	Jan (3)	Dec(8½)	Jan (5)	Sept (2½)
	Dec (3)	Dec (3)	Jan (3)	Jan (1)	Dec (2)	Mar (2)	July(1)	July (3)	Jan (2)
	Feb (1)	June (1)	Sept (2)	July (1)	June (2)	Oct (1)	Feb(½)	June (1)	Oct (1½)
	June (1)	Sept (1)	Dec (1)	Sept (1)	July (1)	Sept (1)		Oct (1)	Dec (1)
	Nov (1)	Aug (1)	Oct (1)		Feb (1)	June (1)			Aug (1)
		Feb (1)				July (1)			Nov (1)
						Nov (1)			June ½
									July ½

Note: December covers mostly mailings dropped between the week before Christmas and December 26. January is dominated by mailings dropped in the first two weeks.

Source: Kleid Company, Inc., 1984

Seasonality Study
Category: Business/Finance

Monthly % of Total Mailings

	1979-80	1980-81	1981-82	1982-83	1983-84	5-Year Average
MAR	4.6	8.7	6.2	11.2	8.1	7.8
APR	5.4	7.0	8.7	4.6	5.7	6.3
MAY	4.5	3.5	8.4	6.0	6.3	5.6
JUNE	6.1	6.1	5.9	7.6	9.1	7.0
JULY	8.7	8.7	9.4	7.9	9.1	8.8
AUG	7.2	5.3	6.9	6.3	4.5	6.0
SEPT	10.5	10.4	8.5	9.3	7.4	9.2
OCT	12.5	5.6	8.0	7.1	10.6	8.8
NOV	6.3	4.3	5.8	4.2	4.7	5.0
DEC	10.5	11.9	14.2	15.6	14.7	13.4
JAN	15.8	19.7	11.0	13.1	13.8	14.7
FEB	7.9	8.8	7.0	7.1	6.0	7.4
TOTAL	100%	100%	100%	100%	100%	100%

Comments: December has risen to the top in the last 3 years but ranks #2 in the 5 year average by about one point. October is coming back and September seems to be on the downslide.

Source: Kleid Company, 1984

Seasonality Study
Category: Cultural Reading

Monthly % of Total Mailings

	1979-80	1980-81	1981-82	1982-83	1983-84	5-Year Average
MAR	4.1	2.4	4.0	6.4	4.1	4.2
APR	1.5	2.4	2.1	1.6	6.8	2.9
MAY	3.0	1.9	1.6	.4	2.2	1.8
JUNE	9.8	12.0	14.5	15.6	14.6	13.3
JULY	15.0	15.1	8.6	6.6	7.2	10.5
AUG	9.1	10.9	3.4	2.9	4.4	6.1
SEPT	5.2	8.0	13.4	10.4	10.1	9.4
OCT	6.5	6.7	7.8	11.3	7.0	7.9
NOV	2.1	4.9	4.6	2.1	3.5	3.4
DEC	24.4	21.4	21.1	33.5	25.9	25.3
JAN	11.3	8.0	9.4	6.4	10.7	9.2
FEB	8.0	6.3	9.5	2.8	3.5	6.0
TOTAL	100%	100%	100%	100%	100%	100%

Comments: December is still #1 by a big spread — but look at June in #2, followed by January and September.

Source: Kleid Company, 1984

Seasonality Study
Category: General Reading

Monthly % of Total Mailings

	1979-80	1980-81	1981-82	1982-83	1983-84	5-Year Average
MAR	2.8	9.8	3.5	11.4	10.1	7.5
APR	1.6	3.9	1.5	2.7	3.6	2.6
MAY	1.3	2.3	3.5	8.2	5.9	4.2
JUNE	2.8	12.5	3.1	18.2	11.3	9.6
JULY	33.6	19.3	26.0	8.6	13.3	20.2
AUG	4.7	4.5	2.4	3.5	2.8	3.6
SEPT	9.5	12.0	11.9	7.6	11.3	10.5
OCT	3.6	1.6	0.1	0.9	3.0	1.8
NOV	1.7	0.8	1.9	0.1	1.9	1.3
DEC	19.7	16.4	22.6	21.4	25.8	21.2
JAN	16.5	12.7	18.8	12.5	7.0	13.5
FEB	2.2	4.2	4.7	4.9	4.0	4.0
TOTAL	100%	100%	100%	100%	100%	100%

Comments: There seems to be a consistency here. March, June, July, September and December accounted for approximately 72% of volume in 1983-84 and 69% in 5 year average. October and November win the non-popularity contest.

Source: Kleid Company, 1984

Seasonality Study
Category: Self-Improvement

Monthly % of Total Mailings

	1979-80	1980-81	1981-82	1982-83	1983-84	5-Year Average
MAR	12.6	9.0	2.2	5.8	6.7	7.3
APR	1.8	7.8	2.4	3.1	5.7	4.2
MAY	3.5	2.1	1.5	2.2	5.1	2.9
JUNE	0.9	4.3	5.6	6.8	10.8	5.7
JULY	14.1	12.1	7.3	5.1	2.6	8.2
AUG	11.3	3.6	9.0	10.8	11.0	9.1
SEPT	10.2	6.1	15.9	14.2	11.6	11.6
OCT	9.9	4.0	1.3	7.3	7.0	5.9
NOV	2.0	2.3	1.6	2.9	1.1	2.0
DEC	5.2	14.7	30.8	16.3	14.9	16.4
JAN	23.5	23.3	13.1	14.3	14.0	17.6
FEB	5.0	10.7	9.3	11.2	9.5	9.1
TOTAL	100%	100%	100%	100%	100%	100%

Comments: While January is still the leader in 5 year average, the trend has been down; the same with December. But, look at on-the-rise June (0.9 to 10.8), consistent September (10.2 to 11.6), and down July (14.1 to 2.6).

Source: Kleid Company, 1984

Seasonality Study
Category: Home Interest

Monthly % of Total Mailings

	1979-80	1980-81	1981-82	1982-83	1983-84	5-Year Average
MAR	12.0	6.2	2.6	2.0	4.8	5.5
APR	4.1	5.0	5.3	4.1	3.3	4.4
MAY	8.1	1.2	2.4	1.4	2.8	3.1
JUNE	3.3	0.7	8.9	13.2	10.0	7.2
JULY	12.6	6.7	12.4	9.9	15.2	11.4
AUG	6.7	7.7	8.9	9.2	9.3	8.4
SEPT	10.9	14.0	9.7	7.0	12.8	10.9
OCT	9.7	10.4	8.9	9.8	10.2	9.8
NOV	2.2	0.6	0.9	1.9	1.1	1.3
DEC	11.6	14.3	7.0	20.4	16.0	13.9
JAN	5.9	18.8	14.8	15.3	10.3	13.0
FEB	12.9	14.4	18.2	5.8	4.2	11.1
TOTAL	100%	100%	100%	100%	100%	100%

Comments: Avoid March, April, May, November and February.

Source: Kleid Company, 1984

Seasonality Study
Category: Parents and Children

Monthly % of Total Mailings

	1979-80	1980-81	1981-82	1982-83	1983-84	5-Year Average
MAR	5.5	2.5	2.5	3.2	2.4	3.2
APR	5.4	1.0	1.4	0.9	1.0	1.9
MAY	8.4	5.2	8.4	8.5	2.2	6.5
JUNE	6.0	3.1	3.3	3.3	5.7	4.3
JULY	17.3	19.7	23.2	18.6	27.1	21.2
AUG	11.6	15.2	12.3	11.3	10.5	12.2
SEPT	4.8	2.9	1.7	5.0	5.7	4.0
OCT	5.7	3.4	2.9	1.2	1.0	2.8
NOV	0.4	1.5	0.4	0.5	2.5	1.2
DEC	16.8	23.7	13.6	17.9	11.7	16.7
JAN	13.2	19.0	18.9	15.2	21.4	17.5
FEB	4.9	2.8	11.4	14.4	8.8	8.5
TOTAL	100%	100%	100%	100%	100%	100%

Comments: July and January continue to dominate (48.5% of total). August and December are hanging in there (22.2%).

Source: Kleid Company, 1984

Seasonality Study
Category: Hobbies — Related Subjects

Monthly % of Total Mailings

	1979-80	1980-81	1981-82	1982-83	1983-84	5-Year Average
MAR	5.6	6.8	3.8	2.3	3.9	4.5
APR	3.0	2.3	3.2	5.0	2.2	3.1
MAY	3.0	5.3	3.8	3.0	2.2	3.5
JUNE	9.7	2.8	6.5	4.2	5.7	5.8
JULY	14.3	22.8	22.9	17.3	20.2	19.5
AUG	6.0	8.9	7.2	8.3	8.9	7.9
SEPT	12.8	6.4	9.0	11.7	5.1	9.0
OCT	4.7	2.0	2.5	2.8	8.6	4.1
NOV	0.8	0.9	0.8	2.7	1.0	1.2
DEC	20.5	14.8	17.4	20.6	23.9	19.4
JAN	13.9	21.3	15.5	15.2	12.0	15.6
FEB	5.7	5.7	7.4	6.9	6.3	6.4
TOTAL	100%	100%	100%	100%	100%	100%

Comments: July and December account for 44.1% of volume, January for 12%, and a mixed bag beyond these months.

Source: Kleid Company, 1984

Seasonality Study
Category: Entertainment

Monthly % of Total Mailings

	1979-80	1980-81	1981-82	1982-83	1983-84	5-Year Average
MAR	5.3	3.1	7.1	2.7	3.2	4.3
APR	5.9	0.9	5.1	3.2	4.1	3.9
MAY	11.2	1.7	2.3	3.1	3.9	4.4
JUNE	1.9	2.3	4.5	8.9	4.8	4.5
JULY	5.0	15.0	17.5	13.1	10.1	12.1
AUG	7.8	4.4	13.8	7.3	8.2	8.3
SEPT	7.1	15.3	12.0	11.0	9.9	11.1
OCT	5.8	6.6	8.4	8.9	10.1	8.0
NOV	3.1	7.2	5.0	2.2	6.0	4.7
DEC	32.6	14.9	8.7	17.3	23.7	19.4
JAN	11.5	19.1	7.4	16.6	12.5	13.4
FEB	2.8	9.5	8.2	5.7	3.5	5.9
TOTAL	100%	100%	100%	100%	100%	100%

Comments: The December/January period, very popular in the late 1970's, began to decline, hitting a low in the 1981-82 period. But look at them now, particularly December.

Source: Kleid Company, 1984

Seasonality Study
Category: Educational, Technical, Professional

Monthly % of Total Mailings

	1979-80	1980-81	1981-82	1982-83	1983-84	5-Year Average
MAR	38.6	2.6	4.4	8.2	6.6	12.1
APR	4.0	3.7	8.4	6.1	3.9	5.2
MAY	3.2	3.9	1.1	3.0	5.6	3.4
JUNE	3.3	3.8	33.2	9.5	3.5	10.7
JULY	5.9	12.1	9.9	1.7	9.4	7.8
AUG	3.9	10.2	3.6	8.7	11.4	7.6
SEPT	8.4	5.3	4.5	8.5	10.9	7.5
OCT	3.7	9.1	9.0	6.4	10.7	7.8
NOV	4.6	7.6	4.9	9.8	4.0	6.1
DEC	6.7	27.1	10.5	9.9	14.6	13.7
JAN	12.7	9.3	5.3	19.6	12.9	12.0
FEB	5.0	5.3	5.2	8.6	6.5	6.1
TOTAL	100%	100%	100%	100%	100%	100%

Comments: The #1 month keeps changing year-to-year. In the periods above: March (38.6), December (27.1), June (33.2), January (19.6), December (14.6). Only December hit the top twice. 1983-84 showed a more even distribution.

Source: Kleid Company, 1984

Seasonality Study
Category: Fund Raising

Monthly % of Total Mailings

	1979-80	1980-81	1981-82	1982-83	1983-84	5-Year Average
MAR	4.5	6.4	6.3	10.9	5.9	6.8
APR	9.7	3.4	6.6	5.5	5.5	6.1
MAY	4.7	5.5	5.4	6.0	3.6	5.0
JUNE	1.8	1.3	1.7	4.2	6.9	3.2
JULY	2.6	0.8	7.1	5.9	1.6	3.6
AUG	10.5	8.4	11.3	6.8	9.4	9.3
SEPT	12.5	11.6	10.6	13.3	8.3	11.3
OCT	13.9	10.3	11.5	8.9	13.2	11.6
NOV	19.3	9.3	13.6	9.0	12.0	12.6
DEC	2.6	7.9	6.6	10.8	14.0	8.4
JAN	7.6	29.6	6.4	6.4	5.6	11.1
FEB	10.3	5.5	12.9	12.3	14.0	11.0
TOTAL	100%	100%	100%	100%	100%	100%

Comments: December and February tied for the top spot—based on a positive trend. October and November lead in the 5-year average because of strong showing in 1979 but 1983-84 shows them coming back.

Source: Kleid Company, 1984

A Mailer's Need For List Information Differs From the Broker's Need

These criteria are the ones most often mentioned as being extremely or very important to mailers:

Status of names	**82%**
Source of names	**81%**
Type of product or service	**75%**
Selectivity	**70%**
Reputation of list owner/list manager	**60%**

Identified as the most important criteria to mailing list brokers are:

Source of names	**91%**
Status of names	**89%**
Selectivity	**86%**
Current counts	**83%**
Type of product or service	**77%**

Source: Standard Rate and Data Service, Inc., Direct Media, Inc., 1984

Number of Mailing Lists Tested in Last 12 Months (Among Mailers)

NONE	6%
1 – 5	14
6 – 10	11
11 – 15	4
16 – 20	8
21 – 25	8
26 – 30	6
31 – 35	1
36 – 40	4
41 – 45	—
46 – 50	3
51 – 100	14
More than 100	21
TOTAL	100%

Number of Respondents: 73
Median: 26
Source: Standard Rate and Data Service, Inc., Direct Media, Inc., 1984

Months of Year When Mailing Lists Are Tested (Among Mailers)

Every month of the year	44%
January	15
February	14
March	28
April	19
May	8
June	12
July	12
August	14
September	23
October	22
November	15
December	11
No Response	7
TOTAL	244%*

Number of Respondents: 73
*Total exceeds 100% due to multiple responses.
Source: Standard Rate and Data Service, Inc., Direct Media, Inc., 1984

Important Criteria When Testing Mailing Lists (Among Mailers)

	Extremely Important	Very Important	Somewhat Important	Not Very Important	Not Important At All	No Response	TOTAL
Back-End Performance Obtained by List Owner	16	30	26	12	14	2	100%
Cost Per Thousand	14	29	44	4	9	—	100%
Current Counts	16	32	37	8	7	—	100%
Customer Credit-Worthiness	11	20	33	18	18	—	100%
Deliverability Guarantee	15	30	27	18	10	—	100%
Demographics/ Psychographics	19	36	27	12	6	—	100%
Lettershop Availability	14	15	14	24	33	—	100%
Mail Date Clearance Assurances	15	33	32	11	8	1	100%
Mailers Who Have Successfully Used List in the Past	19	26	39	8	8	—	100%
Nixie Rate	1	29	32	16	21	1	100%
Premiums or Initial Test Discounts	—	10	34	26	30	—	100%
Recency/Frequency/Monetary Factors	10	49	29	4	8	—	100%
Reputation of List Owner/ List Manager	20	40	29	4	7	—	100%
Selectivity	29	41	23	3	4	—	100%
Source of Names (i.e., Vehicle Which Generated the Direct Response)	38	43	12	1	6	—	100%
Status of Names (Buyers, Inquirers, Trials)	33	49	11	1	4	2	100%
Type of Product or Service Purchased	30	45	21	1	3	—	100%

Number of Respondents: 73

Source: Standard Rate and Data Service, Inc., Direct Media, Inc., 1984

DMA
Mailing List Usage Survey

Overall Findings

The use of mailing lists continues to grow at a fast pace. Outside mailing list usage increased for 6% of the respondents in 1982, with an average increase of 20%. The use of in-house mailing lists increased for almost 75%, with an average increase of 20%. Only 15% of the companies reported a decline in the use of outside lists, and only 6% reported a decline in the use of in-house lists. The total number of pieces mailed has also increased for nearly 80% of the members, with an average increase of 20%.

Over 43% of respondents indicate an increase in upfront response, with an average increase of about 10%. Approximately 24% of responding companies experienced a decline, averaging an 8% decrease.

Participants reported changes in activity for 1982 versus 1981, and also provided their outlook for the full year of 1983. Over 60% of the respondents plan to increase the number of mailings a year in 1983 whereas, less than 30% plan to reduce the number of mailings.

A summary of individual statistics for each business category for selected portions of the survey follows.

Summary of All Replies
By Business Category

	Catalog		Publishing		Business/ Industrial		Fund Raising		Insurance		Financial		Nonprofit		Other		Companies	
Companies reporting	87		56		24		10		29		9		7		14		235	
Use of outside lists:																		
Increased	65		33		15		3		16		7		5		10		154	
Decreased	9		9		4		4		5		2		1		0		34	
Unchanged	11		14		4		3		6		0		1		2		41	
Percent Change	+	−	+	−	+	−	+	−	+	−	+	−	+	−	+	−	+	−
under 5%	5	0	1	0	0	0	1	1	1	1	0	0	1	0	0	0	9	2
5-10	9	3	8	3	2	0	0	2	3	0	1	0	1	0	1	0	25	8
11-20	18	3	10	1	7	0	0	1	6	0	4	0	1	1	4	0	50	6
21-30	12	2	4	2	3	1	3	1	0	0	2	0	0	0	4	0	29	6
over 30%	22	4	10	3	3	3	2	0	6	1	0	0	1	0	1	0	45	11
Use of house lists:																		
Increased	73		37		16		7		15		8		4		10		170	
Decreased	2		2		3		0		2		0		1		1		13	
Unchanged	10		16		4		2		10		1		2		1		46	
Percent Change	+	−	+	−	+	−	+	−	+	−	+	−	+	−	+	−	+	−
under 5%	2	2	3	0	0	0	1	0	0	0	1	0	1	0	2	0	10	2
5-10	18	0	9	1	3	0	0	0	0	1	3	0	1	0	1	0	35	2
11-20	22	0	10	1	4	0	6	0	0	0	1	0	1	1	0	0	44	2
21-30	15	0	8	0	3	1	0	0	0	1	3	0	0	0	4	0	33	2
over 30%	16	0	7	0	6	1	1	0	0	0	0	0	0	0	4	0	33	1
Number of pieces mailed:																		
Increased	64		42		20		6		22		7		5		10		176	
Decreased	4		5		1		4		5		1		2		0		22	
Unchanged	8		9		2		0		2		1		0		3		25	
Percent Change	+	−	+	−	+	−	+	−	+	−	+	−	+	−	+	−	+	−
under 5%	1	0	2	0	1	0	1	1	1	1	0	1	1	0	0	0	7	3
5-10	16	2	12	0	4	0	0	3	3	1	0	0	1	0	1	0	37	6
11-20	18	2	13	1	5	0	4	0	5	2	2	0	1	2	2	0	50	7
21-30	11	0	3	1	5	1	0	0	4	0	2	0	1	0	6	0	32	2
over 30%	27	0	10	2	5	0	1	0	7	1	0	0	1	0	1	0	52	3
Upfront response:																		
Increased	42		20		13		6		14		2		4		5		106	
Decreased	21		17		5		0		4		3		1		3		54	
Unchanged	22		16		4		4		8		4		2		4		64	
Percent Change	+	−	+	−	+	−	+	−	+	−	+	−	+	−	+	−	+	−
under 5%	3	4	6	2	2	2	2	0	1	1	0	1	0	1	1	0	15	11
5-10	19	9	6	8	3	1	2	0	8	1	0	2	1	0	1	1	40	22
11-20	5	4	4	3	6	0	2	0	3	1	1	0	2	0	2	1	25	9
21-30	6	1	0	2	0	2	0	0	0	0	0	0	1	0	1	0	8	5
over 30%	7	2	3	2	2	0	0	0	2	1	1	0	0	0	0	1	15	6
List techniques																		
Merge/Purge	76		47		16		9		22		9		7		12		198	
Database	31		23		14		6		16		8		2		4		104	
Staggered Dates	46		25		11		7		13		6		2		5		115	
Personalization	25		31		10		9		18		5		3		4		105	
Premium Offer	38		34		10		4		8		2		2		6		104	
Sweepstakes	9		10		4		1		4		1		1		1		31	
Couponing	17		4		5		0		1		1		0		5		33	
Other	9		9		3		0		2		1		0		0		24	

Methodology

The Mailing List Usage Survey was sent to all List Council members and to other select DMA member companies. Out of 1000 questionnaires mailed, useable replies totaled 235; slightly less than a 25% return. All replies were turned over to an outside statistics firm, HAI Association Services, for compilation in order to maintain complete confidentiality of individual returns.

Fund Raising

- Three Out of Four People Open Fund Raising Mail
- State Laws Regulating Charitable Solicitations

Three Out Of Four People Open Fund Raising Mail

By Joel Henkin
R. H. Bruskin Associates

A survey conducted to determine consumer attitudes toward direct mail reveals that fund raising mail is opened more often than several other kinds of mail. Therefore, direct mail *can* open new avenues for new dollars.

Chart A*

	Total	Sex Men	Women
	%	%	%
Catalogs From Mail Order Companies	78	75	81
Fund Raising Mail From Charitable Organizations	72	69	75
Mail For Magazine Subscriptions	63	62	64
Mail From Insurance Companies	62	58	65
Mail From Book Clubs	57	55	60

Chart B*

	Age				
	18-24	25-34	35-49	50-64	65 & Older
	%	%	%	%	%
Usually Open Fund Raising Mail From Charitable Organizations	65	67	76	78	75

Chart C*

	Region			
	NE	NC	South	West
	%	%	%	%
Usually Open Fund Raising Mail From Charitable Organizations	74	69	73	73

*Source: R. H. Bruskin Associates, 1981

State Laws Regulating Charitable Solicitations

(As of December 1, 1984)

	Charitable Organizations						Fund-Raising Counsel	
State	Registration or Licensing	Regulatory Agency	Cost Limitations	Annual Financial Reporting Requirements	Monetary Exemption Ceiling	Charitable Solicitation Disclosure	Registration or Licensing	Bonding Requirement
Arkansas	Registration	Secretary of State Little Rock, Arkansas 72201 501-371-3622	None	By March 31 or within 90 days after close of fiscal year *	$1.000 (if all soliciting done by volunteers)	Solicitors must disclose minimum percentage of gross income received by the charity	Registration	$5.000
California	Registration	Department of Justice P.O. Box 13447 Sacramento, CA 95814 916-445-2021	None	Annual Financial Reporting Requirements are due at the same time as 990, four and one-half months after the end of the accounting period. Report due May 15. If gross revenue or assets exceed $25.000 during the year the organization must file	None	"Sale for charitable purpose card" must be shown prior to any solicitation	None	None
Connecticut	Registration	Dep't. of Consumer Protection 165 Capitol Hartford, CT 06106 203-566-4807	25% to 50% depending on total raised	In form described by Department within 5 months of close of fiscal year and must be audited by an independent accountant if public support exceeds $100.000 *	$5.000 (if all soliciting done by volunteers)	Professional telephone solicitor must disclose who he is and who he represents and percentage of money that will go to the charity	Registration	$10.000
District of Columbia	Licensing	Department of Consumer & Regulatory Affairs 614 H St., N.W. Washington, DC 20001 202-727-7100	None	Within 30 days after the end of a licensing period and 30 days after a demand by the mayor (formerly the commissioner) *	$1.500 (if all soliciting done by volunteers)	Solicitors must present solicitation information card to prospective donor. Card is issued by Department of Consumer and Regulatory Affairs	Licensing	None
Florida	Registration (Names of all fund-raising employees must be registered)	Department of State Division of Licensing The Capitol Tallahassee, FL 32301 904-488-5381	None	With annual registration process on forms audited by an independent public accountant if in excess of $100.000. A review audit can be used if between $50.000 and $100.000. *	$10,000 (if all soliciting done by volunteers)	Organizations must furnish authorization to solicitors which must be exhibited on request	Licensing (Statute refers only to professional solicitors)	$10.000
Georgia	Registration	Secretary of State Office of Special Services Suite 306 W. Tower Martin Luther King Dr., S.E. Atlanta, GA 30334 404-656-2861	30% for administration and fund-raising unless exemption is given	Within 90 days after close of fiscal or calendar year. (Quarterly Reports required in first year of operation. Report must be verified by independent certified accountant if over $50.000.) *	$15.000 if costs are below 30%	Organizations must furnish donor with name of solicitor and purpose for which solicitation is being made	Registration	$10,000 or 50% of total income of PFR for preceding year, whichever is greater
Hawaii	Registration	Department of Commerce & Consumer Affairs P.O. Box 40 Honolulu, HW 96810 808-548-4740	10% to professional solicitors	With registration statement	$4.000 (if all soliciting is done by volunteers)	Solicitors must furnish authorization on request	Licensing	$5.000

State	Registration or Licensing	Regulatory Agency	Cost Limitations	Annual Financial Reporting Requirements	Monetary Exemption Ceiling	Charitable Solicitation Disclosure	Registration or Licensing	Bonding Requirement
Indiana	None	Consumer Protection Div. Attorney General 219 State House Indianapolis, Ind. 46204 317-232-6233	None	None	None	Paid solicitors must disclose percent of contribution going to charity	Registration	None
Illinois	Registration Religious organizations are also required to register.	Attorney General State of Illinois 188 West Randolph Room 1826 Chicago, IL 60601 312-793-2595	At least 75% of gross receipts must be used for charitable purposes and not more than 25% for the cost of unordered merchandise	Within six months after end of fiscal or calendar year *	$4,000 (if all soliciting is done by volunteers)	None	Registration	$5,000
Kansas	Registration	Attorney General 301 West 10 St. Topeka, KA 913-296-3751	At least 75% of gross receipts must be used for charitable purposes and not more than 25% for the cost of unordered merchandise	Appropriate form pursuant to the Kansas Statutes Annotated Sec 17-7500 et. seq. as part of registration	$5,000 (If all soliciting is done by volunteers)	None	Registration	$5,000
Kentucky	None	Attorney General Division of Consumer Protection Frankfort, KY 40601 502-564-6607	None	None	None	None	Registration with Attorney General, Division of Consumer Protection	None
Maine	Registration	Attorney General Augusta, ME 04330 207-289-3661	See disclosure	If more than $30,000 raised, within six months after close of fiscal year. Must be audited by independent public accountant *	$10,000 (if all soliciting is done by volunteers)	No professional fund-raiser or solicitor shall solicit funds for a charitable purpose without full disclosure to the prospective donor the estimated cost of solicitation where less than 70% of amount donated will be expended for the specific charitable purpose	Registration	$10,000
Maryland	Registration	Secretary of State State House Annapolis, MD 21414 301-269-3425	None	Most recent completed fiscal year. If in excess of $100,000 an audit is required by an independent certified public accountant according to the standards of accounting and financial reporting of voluntary health and welfare organizations *	$5,000 (if all soliciting is done by volunteers and 500,000 or less mail solicitations are sent)	Paid solicitor must disclose his name and that he has been engaged by the charity to raise funds; the name of the organization and the purpose for which contribution is solicited; the percent of donations received by the solicitor; percentage which may be deducted for income tax purposes; upon request a copy of organizations financial statement is available	Registration	None
Massachusetts	Licensing	Attorney General Division of Public Charities Boston, MA 02108 617-727-2235	15% to a professional solicitor; 50% overall solicitation expense; unless higher is proven to be in public interest	On or before June 1 or before 60 days following a fiscal year ending in April or May on prescribed forms organizations receiving over $100,000 annually must file audited financial statement *	$5,000 (if all soliciting is done by volunteers)	Solicitors must exhibit authorization on request	Licensing	$10,000

State	Registration or Licensing	Regulatory Agency	Cost Limitations	Annual Financial Reporting Requirements	Monetary Exemption Ceiling	Charitable Solicitation Disclosure	Registration or Licensing	Bonding Requirement
Michigan	Licensing	Attorney General Charitable Trust Section 670 Law Building Lansing, MI 48913 517-373-1152	None	With application for license or renewal for 12-month period immediately preceding the time it files. (IRS 990 is accepted as part of the application process.) *	$8,000 (if all soliciting is done by volunteers and annual report is given to contributions)	None	Licensing	$10,000
Minnesota	Registration	Asst. Attorney General 340 Bremer Tower 7th Place, Minnesota St. St. Paul, MN 55101 612-296-6196	Expenses of over 30% for administration, general and fund-raising costs is presumed to be unreasonable.	File annual report, financial statement, and copy of IRS 990. (If 990 meets all requirements of financial statement, it can be filed in place of financial statement.) *	$10,000 (if all soliciting is done by volunteers)	Solicitation card must be shown prior to solicitation	Licensing	up to $20,000
Nebraska	Certificate granted on basis of letter of approval obtained from county attorney of home-office county	Secretary of State Lincoln, NE 68509 402-471-2554	None	Can file IRS 990 in lieu of auditor's report *	None	Solicitor must carry and show certificate and issue receipts for donations of more than $2	None	None
Nevada	None	Attorney General Carson City, NE 89701 702-885-4170	None	By July 1 with Secretary of State *	None	None	None	None
New Hampshire	Licensing	Secretary of State Division of Welfare Concord, NH 03301 603-271-4297	85% must be applied to a charitable purpose	When requested by the director of the division *	None	None	None	None
New Jersey	Registration	Charities Registration Sec. 1100 Raymond Blvd. Newark, NJ 07102 201-648-4002	15% to professional fund-raiser and professional solicitor 50% for mail solicitation via unordered merchandise	Within 6 months after close of fiscal or calendar year *	$10,000 (if all fund raising is done by volunteers)	For telephone Solicitations must disclose name and address of organization; state amount as a percentage that will be given to organization; if no tax exempt status, that must be disclosed; must disclose percent that can be deducted as charitable contribution	Registration	$10,000
New Mexico	Registration	Office of the Attorney General Charitable Organization Registry P.O. Drawer 1508 Santa Fe, NM 87504-1508 505-827-6910	None	Within 75 days of the close of the fiscal year. Accompanied by IRS 990.	$2,500	Organization must disclose upon request the percentage of funds solicited spent on fund-raising costs	None	None
New York	Registration	Office of Charities Registration Department of State Albany, NY 12231 518-474-3720	None	Within 90 days after the close of its fiscal year. If in excess of $50,000 for preceding year, report must be accompanied by an opinion signed by an independent public accountant *	$25,000 (if all fund raising is done by volunteers)	None	Registration	$5,000

State	Registration or Licensing	Regulatory Agency	Cost Limitations	Annual Financial Reporting Requirements	Monetary Exemption Ceiling	Charitable Solicitation Disclosure	Registration or Licensing	Bonding Requirement
North Carolina	Registration	Department of Human Resources Raleigh, NC 27605 919-733-4510	None	With application for registration. CPA Audited Reports are required if more than $250,000 in support and revenue is received *	$10,000 (if all soliciting is done by volunteers)	Percent of fund raising expenses and the purpose of the organization must be given in writing upon request	Registration	$10,000
North Dakota	Licensing	Secretary of State Bismarck, ND 58505 701-224-2901	35% re-solicitation of fund-raising expenses	Within 60 days after the close of the fiscal or calendar year.	None	None	Registration	None
Ohio	Registration	Attorney General Columbus, OH 43215 614-466-3180	None	By March 31 if on a calendar year; if on a fiscal year 90 days of close of fiscal year *	None	None	Registration	$5,000
Oklahoma	Registration	Revenue Processing Division of Oklahoma Tax Commission 2501 Lincoln Blvd. Oklahoma City, OK 73194-0005 405-521-2617	Payments to professional fund-raisers or solicitors limited to 10% of totals raised	Within 90 days of the end of the fiscal or calendar year	$10,000	Receipts must be given for contributions over $2	Registration	$2,500
Oregon	Registration	Attorney General Portland, OR 97201 503-229-5278	25% for solicitation, 50% overall, unless higher authorized	Within 4 months and 15 days of close of calendar or fiscal year *	$500	None	None	None
Pennsylvania	Registration	Commission on Charitable Organizations Dept. of State Harrisburg, PA 17120 717-783-1720	35% re-solicitation & fund-raising expenses (including payment to professional solicitor and fund-raiser) (postage is not considered a fund-raising expense) 15% to professional solicitor, unless higher authorized	Organizations receiving less than $15,000 can file signed and notarized short form; over $15,000 and under $50,000 have to accept a review by a registered, independent of organization, public accountant; over $50,000 must have a complete audit *	None	Solicitor must produce authorization on request	Licensing	$10,000
Rhode Island	Registration	Department of Business Regulations Providence, RI 02903 401-277-3048	50% re-solicitation of fund raising expenses, 25% to professional solicitor, unless higher authorized	Within 90 days after end of fiscal year audited by an independent certified accountant *	$3,000 (if all soliciting is done by volunteers)	Identification card must be presented for each solicitation and must contain name and address of organization; purpose for which contribution is solicited; tax exempt status; percentage which may be deducted for income tax purposes	Registration	$10,000
South Carolina	Registration	Secretary of State Columbia, SC 29211 803-758-2244	Reasonable percentage to professional solicitor	Within six months of the close of the fiscal year *	$2,000 (if all soliciting is done by volunteers)	Soliciter must produce authorization on request	Registration	$5,000
Tennessee	Registration	Secretary of State James K. Polk Bldg. Suite 500 Nashville, TN 37219 615-741-2555	25% for fund-raising costs; 15% to professional solicitor, unless higher authorized	Submitted as part of annual registration process, independent public accountant audit required for over $10,000 in annual contributions *	$5,000, with no restrictions; $10,000 (if all soliciting is done by volunteers)	None	Registration	$10,000

State	Registration or Licensing	Regulatory Agency	Cost Limitations	Annual Financial Reporting Requirements	Monetary Exemption Ceiling	Charitable Solicitation Disclosure	Registration or Licensing	Bonding Requirement
Virginia	Registration	Director of Consumer Affairs Richmond, VA 23219 804-786-1343	See disclosure	Submitted as part of annual registration process *	None	Donors must be told minimum percent of donation which will be received by organization for its own use if less than 70% of total donation. Solicitors must produce authorization on request and furnish receipts for contributions of $5 or more	Registration	$20,000
Washington	Registration	Charities Division Office of the Secretary of State Olympia, WA 98504 206-754-1920	None	Must be filed upon request of Attorney General or county prosecutor *	$10,000 (if all soliciting is done by volunteers)	Solicitor must identify himself, the organization; the purpose of the solicitation and name the organization which will receive contributions. Must disclose upon request the percentage of donations applied to fund-raising costs.	Registration	$5,000
West Virginia	Registration	Secretary of State Capitol Bldg Charleston, WV 25305 304-345-4000	15% to professional solicitor	Financial report must accompany annual registration statement and if in excess of $50,000 required to have an audit by an independent public accountant *	$7,500 (if all soliciting is done by volunteers)	None	Registration	$10,000
Wisconsin	Registration	Department of Regulation & Licensing P.O. Box 8936 Madison, WI 53708 608-266-0829	None	Within 6 months of the close of the fiscal or calendar year *	$3,000	Donor must be told the percentage of contribution that will go to charity	Registration	$5,000

***Indicates States which will accept Federal 990 Form in Lieu of Legislatively Mandated Annual Report**

Source: American Association of Fund-Raising Counsel, Inc., December 1984

Telemarketing

- Shopping by Mail vs. Shopping by Phone
- Future Use of Shopping by Phone
- Reasons for not Ordering from a TV Ad
- Reasons for not Buying Merchandise by Mail or Phone
- Americans Who Shop by Mail or 800 Toll-free Lines
- Consumer Habits when Shopping by Phone

CMG's National Consumer Telemarketing Survey

This study was designed to provide the direct marketing industry with insights into the direct response buyer. Conducted in the fall of 1984, it is based on 426 completed telephone interviews. Qualified respondents were 18 years of age or older and purchasers for their respective households.

Shopping By Mail vs. Shopping By Phone

Which would you say you use the most?

Mostly by mail	38.64%
Mostly by phone	45.45
About the same	11.36
DK/NA	4.55

Source: CMG Telemarketing, Inc., 1984

Future Use of Shopping By Phone

Do you think you will do more ordering over the telephone, less, or about as much as you do now?

More	21.59%
Less	5.88
About the same	68.63
DK/NA	3.92

Source: CMG Telemarketing, Inc., 1984

Reasons For Not Ordering From A TV Ad

Don't watch TV	5.88%
Never saw a TV offer I liked	35.29
Don't trust TV offers	29.41
Couldn't get phone number off screen fast enough	0.00
Other	23.53
DK/NA	5.88

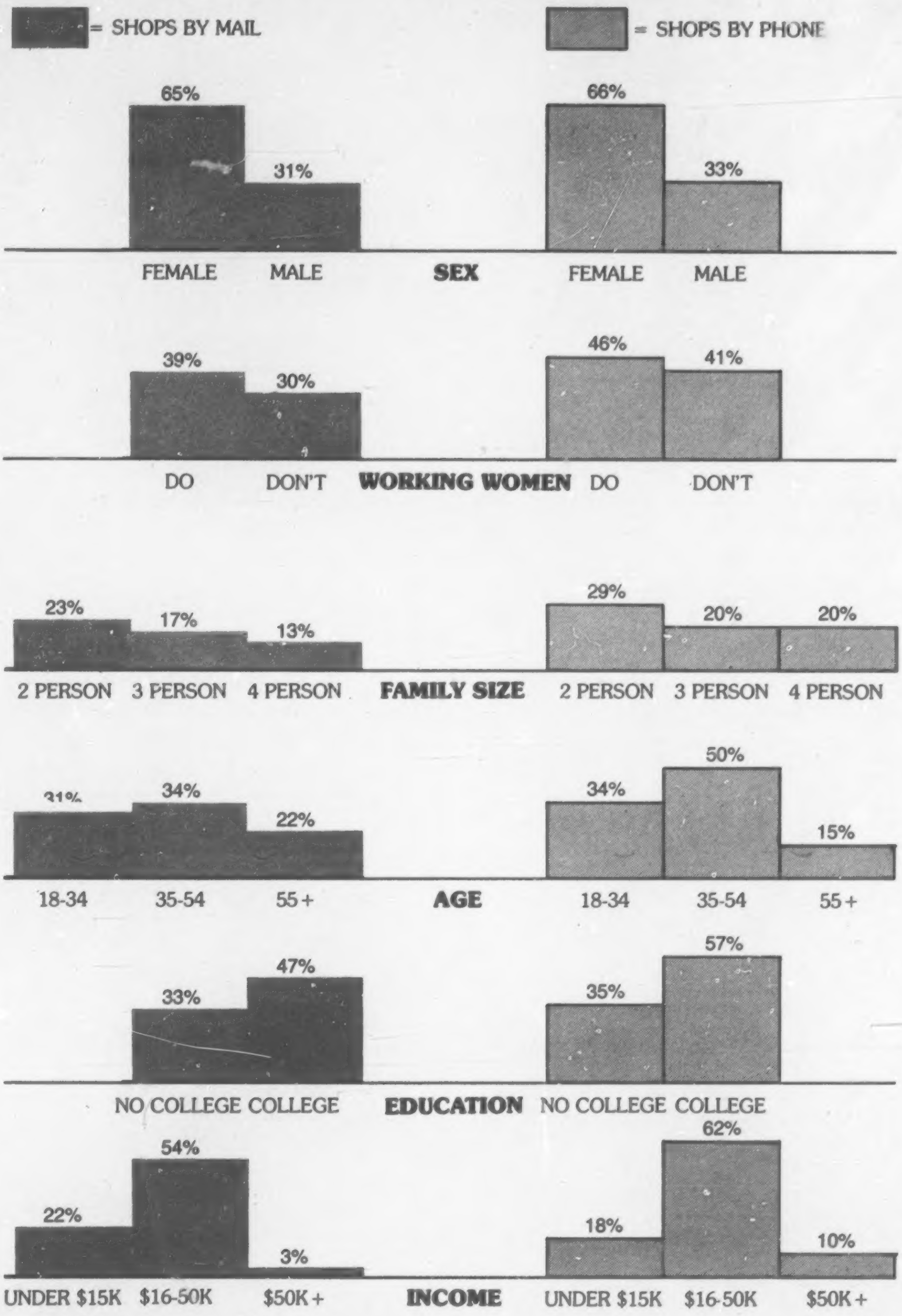
Source: CMG Telemarketing, Inc., 1984

Reasons For Not Buying Merchandise by Mail or Phone

Used to/but no more	2.78%
I like to see what I get	43.52
Like to shop	15.74
Enough choices here/don't need to	4.63
Like local businesses to profit	2.78
Don't trust buying that way	8.33
Other	17.59
DK/NA	4.63

Source: CMG Telemarketing, Inc., 1984

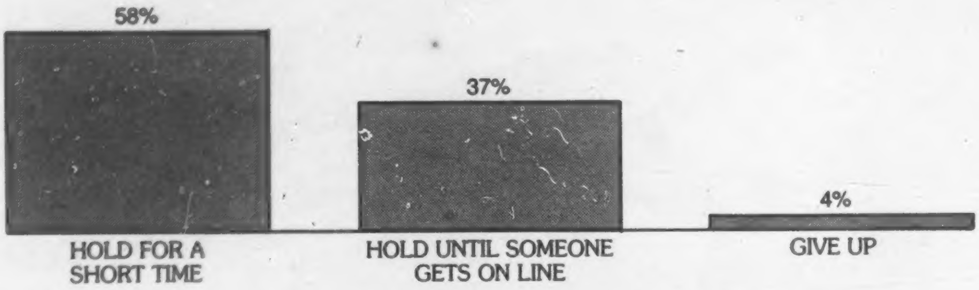
AMERICANS WHO SHOP BY MAIL OR 800 TOLL-FREE LINES



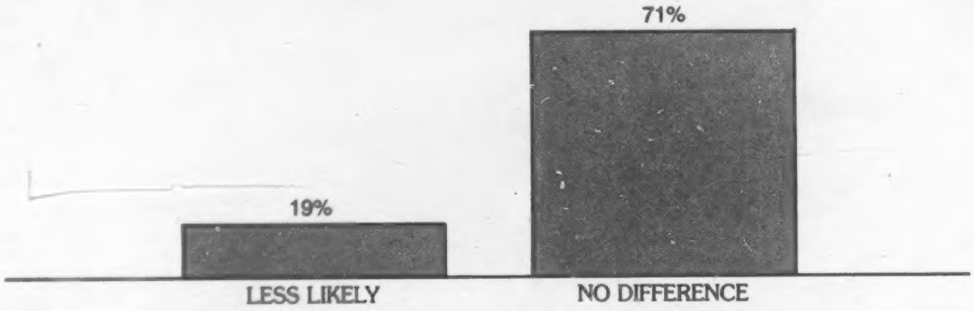
Source: CMG Telemarketing, Inc., 1984

CONSUMER HABITS WHEN SHOPPING BY PHONE

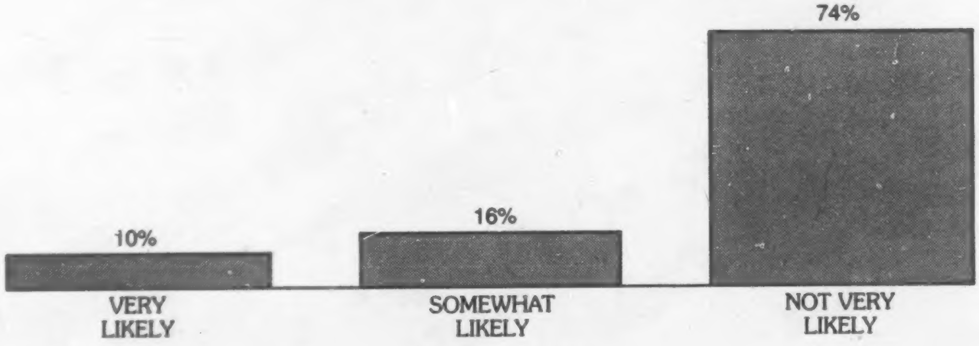
WHEN YOU HAVE BEEN ASKED BY AN OPERATOR — IF YOU COULD PLEASE HOLD, DO YOU . . .



ARE YOU AS LIKELY TO STAY "ON HOLD" IF ASKED VIA RECORDED MESSAGE AS YOU WOULD IF IT WERE A HUMAN OPERATOR?



WOULD YOU PLACE AN ORDER — LEAVING YOUR NAME & PHONE NUMBER VIA A RECORDED MESSAGE?

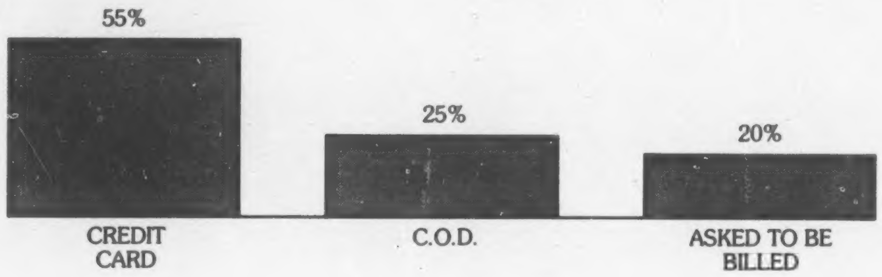


Source: CMG Telemarketing, Inc., 1984

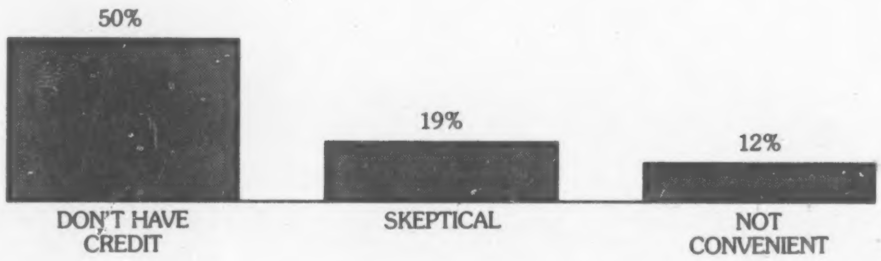
Exhibit continues

CONSUMER HABITS WHEN SHOPPING BY PHONE, CONT.

WHAT METHOD OF PAYMENT DO YOU USE FOR THOSE ITEMS ORDERED BY TELEPHONE?



WHY CREDIT CARDS NOT USED . . .



Source: CMG Telemarketing, Inc., 1984

Coupons

- Percent of Coupon Distributions by Media
- Coupon Redemption Rates by Media
- Percent of Total Coupon Distributions by Face Value

Coupons Stimulate Business

As in all business, manufacturers would not be issuing these billions of cents-off coupons if the marketplace were not receptive. Studies of consumer attitudes to coupons reveal that two out of every three households in the United States now use coupons as an integral part of their regular shopping habits because consumers say they:

- Save money
- Tell them about products and encourage them to try new products
- Reduce the cost of the products

Marketers use them to:

- Improve competitive penetration in a market
- Move out-of-balance inventories
- Stimulate product demand at the retail level as a means of obtaining retailer agreements to stock a product
- Accelerate the introduction and widespread use of a new product
- Obtain new users for an old product

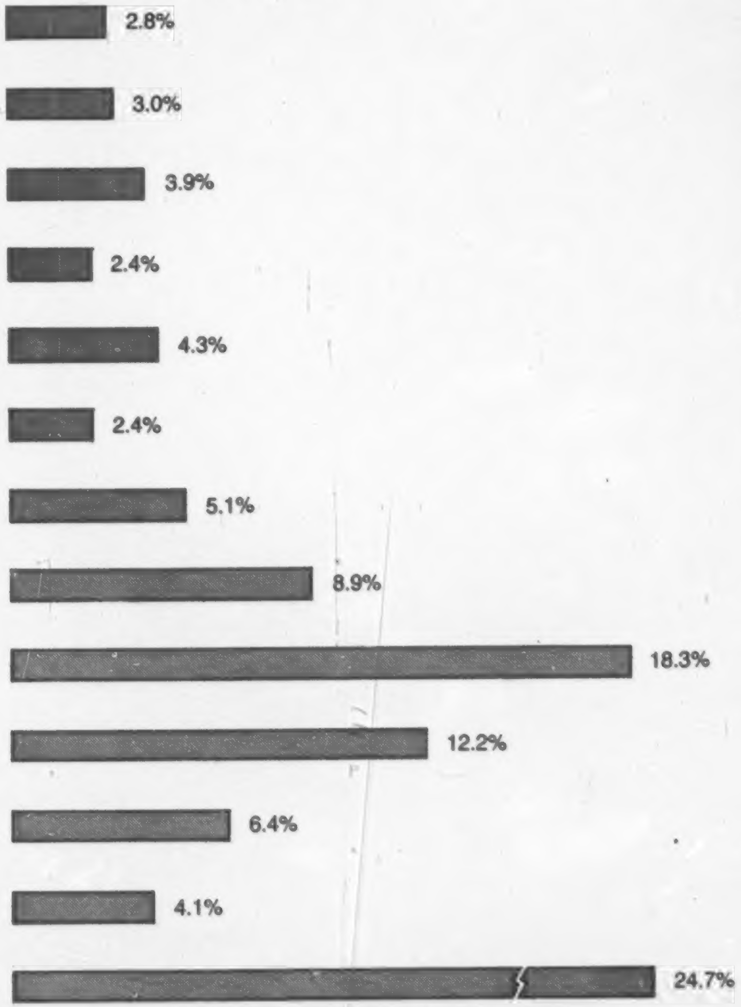
Percent of Coupon Distributions by Media
All Products

	1978	1979	1980	1981	1982	1983	1984
	%	%	%	%	%	%	%
Newspapers	55.6	52.3	48.2	45.0	38.3	38.6*	36.1*
Sunday Paper Supplement	7.7	9.5	9.0	7.3	6.3	4.9	3.3
Sun. Free-Stand. Insert	13.4	14.9	18.4	26.2	33.3	36.6	42.7
Magazines	11.4	12.2	13.3	11.8	11.4	10.0	8.5
Direct Mail	3.0	3.2	3.4	3.3	3.8	4.3	4.4
In/On Pack	8.9	7.9	7.7	6.4	6.9	5.6	5.0
Total (Billions of Coupons)	72.7	81.2	90.6	102.4	119.5	142.9	163.2

*Now includes Free-Standing Inserts

Source: NCH Report, A. C. Nielsen Co. 1984

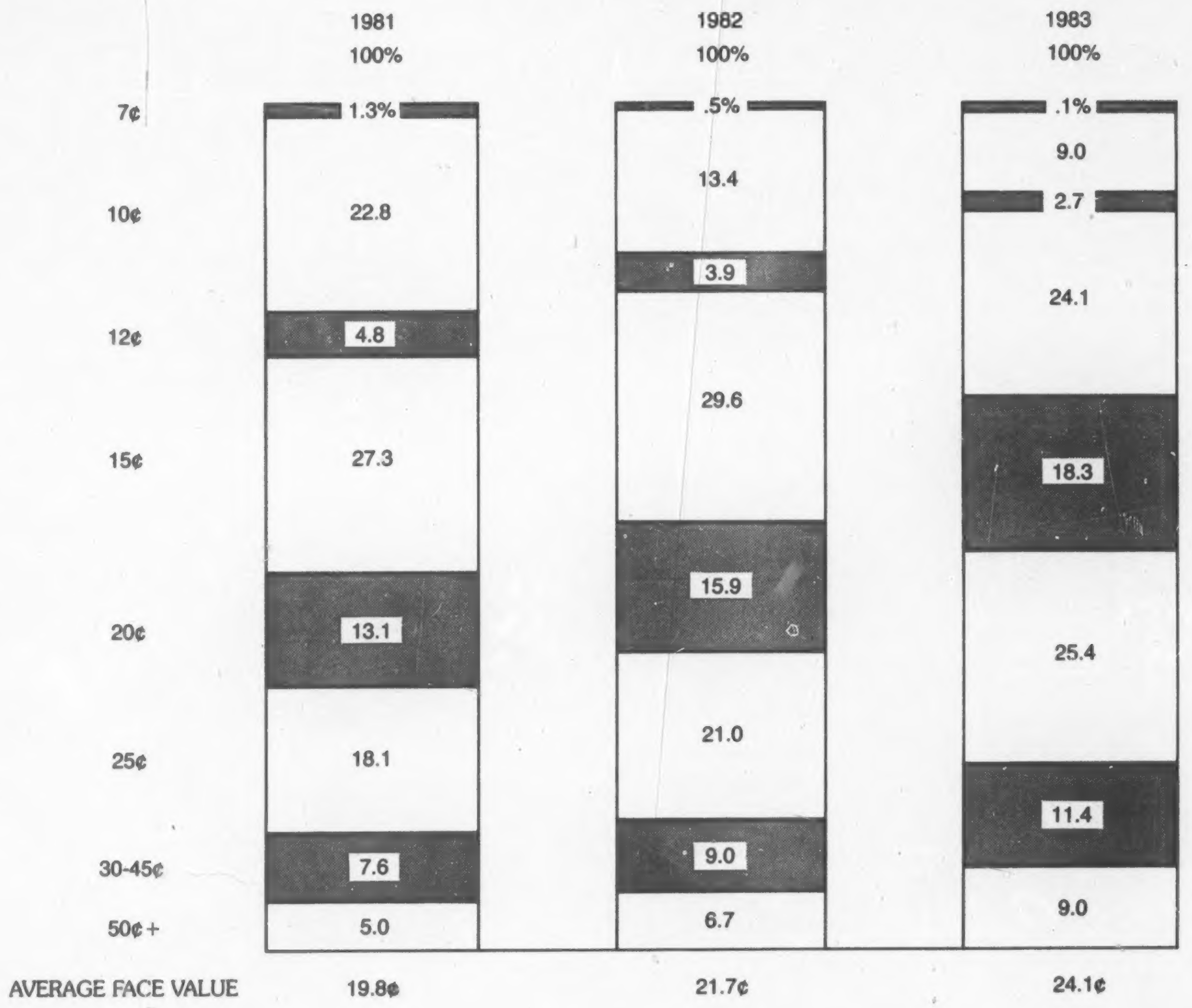
COUPON REDEMPTION RATES BY MEDIA
GROCERY PRODUCTS



Media		**Average Redemption Rate**	**Middle-Half Range**
DAILY NEWSPAPER	R.O.P. SOLO	2.8%	1.2% - 4.1%
	CO-OP (ALL)	3.0%	1.6 - 4.3
	FREE-STANDING INSERT	3.9%	2.2 - 5.8
SUNDAY PAPER	MAGAZINE	2.4%	1.3 - 3.4
	FREE-STANDING INSERT	4.3%	2.4 - 6.1
MAGAZINE	ON-PAGE	2.4%	1.3 - 3.5
	POP-UP	5.1%	3.0 - 7.2
DIRECT MAIL		8.9%	5.3 - 14.2
IN/ON PACK	REGULAR IN-PACK	18.3%	7.9 - 30.2
	REGULAR ON-PACK	12.2%	6.0 - 23.4
	CROSS IN-PACK	6.4%	2.8 - 9.6
	CROSS ON-PACK	4.1%	2.1 - 7.2
INSTANT ON-PACK		24.7%	12.6 - 42.0

Source: NCH Report, A.C. Nielsen Company, 1984.

PERCENT OF TOTAL COUPON DISTRIBUTIONS BY FACE VALUE
GROCERY PRODUCTS



Source: NCH Report, A.C. Nielsen Company, 1984.

Consumer Mail Order

- Kind of Ad Mail Received, by Household Income
- Description of Ad Mail Pieces, by Mailer Category
- Contents of Ad Mail
- Description of Ad Mail Pieces
- Types and Frequency of Mail Order Problems
- Simmons Pilot Study of Direct Marketing

National Study of Direct Mail

Conducted by the Newspaper Advertising Bureau, Inc., in October 1982, this telephone survey covered a national probability sample of over 700 households.

The following charts were compiled from an inventory of the direct mail advertising pieces received in households across the nation.

Kind of Ad Mail Received, by Household Income

(Base = Total Pieces of Ad Mail Received)

	Total	Under $15M	$15M-$24.9	$25M-$34.9	$35M & over
N=	(1057) %	(136) %	(223) %	(196) %	(249) %
"NATION-WIDE" DIRECT MAIL					
Mail order goods	15	15	13	13	17
Publishers	8	3	11	9	9
Non-profit (pol., rel.)	7	7	8	8	6
Insurance, financial	5	7	5	6	4
Coupons	3	7	3	4	3
Misc. industries (auto, resorts, etc.)	2	—	2	3	2
All other	3	2	2	2	3
MASS MERCHANDISERS					
National chains (SPW)	7	3	6	10	7
Discounts (K mart, others)	5	4	7	4	3
Supermarkets	6	10	6	4	5
Other mass mdsrs. (Home improvement etc.)	3	2	3	2	2
"LOCAL/REGIONAL"					
Stores	8	5	7	9	8
Shoppers	3	5	4	1	3
Services (Health, maintenance, utilities, financial, etc.)	6	3	7	7	4
Educ./entertainment	3	5	2	3	2
Political	9	12	9	10	8
Other (relig. & misc.)	2	4	2	3	2
No answer	5	7	3	4	5
Subtotals					
Total political	11	13	11	13	11
Total educ./cultural	4	2	3	3	8
Total religious	3	6	3	3	2
Total retail stores (including mass mdsers.)	29	25	30	29	25
Total retail (including mail order)	44	41	43	42	43

Source: Newspaper Advertising Bureau, Inc., 1983

Description of Ad Mail Pieces, by Mailer Category

Mail Order Good	N= (153)
Product mentions	33%
Catalog, brochure	29
"Advertising"	14
Sales, specials, discounts	12
National Chains	N= (74)
Sales, specials, discounts	28%
Catalog, brochure	28
"Advertising"	12
Product mentions	11
Insurance	11
Discount Chains	N= (57)
Sales, specials, discounts	35%
"Advertising"	28
Product mentions	16
Catalog, brochure	9
Supermarkets	N= (61)
Sales, specials	51%
"Advertising"	39
Product mentions	5
Coupons	2
Other Mass Merchandisers	N= (33)
Sales, specials, discounts	46%
Product mentions	24
"Advertising"	12
Local Stores	N= (82)
Product mentions	32%
Sales, specials, discounts	26
Catalog, brochure	13
Coupons	4
Bills	2
Nat'l Publisher Mail	N= (84)
Subscriptions	32%
Product mention	18
Contests, give-aways	14
"Advertising"	10
Nat'l Non-Profit	N= (74)
Donations	35%
Newsletter	15
Politics	15
Subscription, membership	12
Nat'l Insurance, Financial	N= (53)
Insurance, banking, investments	83%
"Advertising"	11
Misc. Nat'l Industries	N= (21)
"Advertising"	43%
Coupons, free samples	10
Subscription, membership	10
National Coupons	N= (35)
Coupons	83%
"Advertising"	6
Subscriptions	3
Product mentions	3
Local Services	N= (63)
Services	24%
"Advertising"	19
Bills, credit cards	15
Insurance, banking	11
Newsletter	10
Coupons	5
Discounts	5
Brochure	3
Local, Educ., Entertainment, Cultural	N= (34)
Seminar, course registration	27%
Newsletter	21
Donations	9
"Advertising"	9
Catalog, brochure	6
Subscription, membership	3
Discounts	3

Source: Newspaper Advertising Bureau, Inc., 1983

Contents of Ad Mail

Mail in envelope	(45%)	Not in envelope	(55%)
Letter	67%	Catalog	23%
Card	21	Circular	34
Brochure	45	Folder, brochure	21
Coupons	10	Shopper guide	9
Return envelope	43	Card	6
Bill, statement	7	Other	3
Other	7	No answer	4
No answer	4		
	Base (476)		Base (577)

Note: Multiple answers possible.

Source: Newspaper Advertising Bureau, Inc., 1983

Description of Ad Mail Pieces

Advertising	15%
Sales, specials, discounts	14
Catalogs, brochures	10
Product, merchandise mentions	14
Politics	8
Insurance, banking, investments	6
Coupons, free samples	5
Newsletter	5
Subscriptions, memberships	4
Donations	4
Contests, give-aways	3
Misc. service mentions	2
Travel, recreation	1
Seminar, course registration	1
Credit cards	1
Bills	1
All other	2
Don't know, no answer	6
Total*	102%
Base (mail ad pieces)	(1057)

*Multiple mentions

Source: Newspaper Advertising Bureau, Inc., 1983

Types and Frequency of Mail Order Problems

Problem	Percentage
Delivery — Delay/Damage	61.3%
Failure to provide Refunds	7.4
Unsatisfactory Service*	7.1
Discontinued Business	2.6
Product Quality/Performance	2.1
Advertising Practices	2.1
Selling Practices	1.7
Guarantee/Warranty	1.2
Unsatisfactory Repair	.2

*Unrelated to Repair

Source: Council of Better Business Bureaus, Inc., 1983

Simmons Study Of Consumer Purchasing Behavior

In October 1984, Simmons Market Research Bureau, Inc. released the results of the first-ever study of consumer buying at home by mail or phone. The study covered goods and services purchased in July 1984 only. It was found that a total of $12 billion dollars of goods and services were purchased at home by mail or phone during this month alone.

The following charts summarize some of the findings from the 500 page pilot study available from Simmons.

Total Orders Placed During July 1984:

Base: 84 million households
Total: 137 million orders

52% of households - no orders
48% - 1 or more orders

13% - 1 order
11% - 2
14% - 3-5
10% - 6 or more

3.4 - average number of orders (households placing orders)

* * *

Leading Merchandise/Service Categories:

Of the 137 million orders placed in July, the following ranks the top 8 categories:

Apparel	18%
Contributions	12
Magazine Subscriptions (excluding renewals)	7
Home Accessories	6
Home Maintenance	4
Kitchen Equipment	4
Home Office Supplies	4
Automotive Accessories	3

* * *

Learned of Offer

Of the 137 million orders placed in July, the following ranks the sources through which consumers learned of the offers.

Direct Mail (other than catalogs or bill inserts)	24%
Catalogs	24
Telephone	7
Circulars	7
Magazine Ads	6
Newspaper Ads	6
Yellow Pages Ads	5
"Take-ones"	3
Television Commercials	3
Bill Inserts	3

* * *

Gift Orders

13% of orders (excluding contributions) were for gifts.

* * *

Price Per Order

Of the July orders (excluding Financial), the following ranks the price per order.

$ 1 - $10	30%
11 - 20	25
21 - 30	15
31 - 40	7
41 - 50	5
51 - 60	5
61 - 100	7
over $100	6
Average	$40.60
Median	19.70

* * *

Credit Card Usage

13% of orders used credit cards

* * *

Mail vs. Phone

64% of orders via mail
27% of orders via phone
9% of orders via home visit (after phone or mail)

* * *

Apparel - Detailed Analysis

18% of July orders were in the category of Apparel. Approximately 25 million orders were placed.

Price of Apparel Orders

$ 1 to $10	12%
11 to 20	28
21 to 30	21
31 to 40	6
41 to 50	5
51 to 60	5
61 to 70	5
71 to 80	8
81 to 90	6
91 to 100	1
Over $100	3
Average order	$38.10
Median order	$24.50

* * *

Factors leading to more direct marketing purchases:

Lower Prices	66%
No postage or handling charges	65
Faster Delivery	56
Easier returning procedures	47
More information	37
More attractive advertising	22

* * *

Household Demographics

Of the total July orders, the following demographics describe the population.

Household Head:	
Female	42%
Male	58%
Age:	
Under 35	21%
35 - 49	26%
50 or more	53%
Employment:	
Prof/Mgr.	25%
Other	43%
Household Size:	
1 or 2	65%
3 or more	35%

* * *

Attitudes Toward Direct Marketing

Pieces of Advertising Mail received on a Random Weekday:

None	20%
1 - 3 pieces	49%
4 or more	31%
Average Number	2.9

Reactions to Advertising Mail:

Throw all away without opening	3%
Open some and throw rest away without opening	30%
Open all of it	67%

Would like to receive:

More	5%
Less	42%
Same amount	53%

Satisfaction with:

	Direct Marketing	vs. Retail
Extremely Satisfied	7%	15%
Very Satisfied	43%	51%
Somewhat Satisfied	34%	29%
Slightly Satisfied	8%	3%
Not at all Satisfied	8%	2%

The Simmons pilot study was sponsored by Rapp & Collins, Inc., New York.

Special Markets

Elderly

- Population 65 Years Old and Over
- The Older Population, 1970-2050
- Incomes of the Mature Market
- Incomes of Mature Married Couples

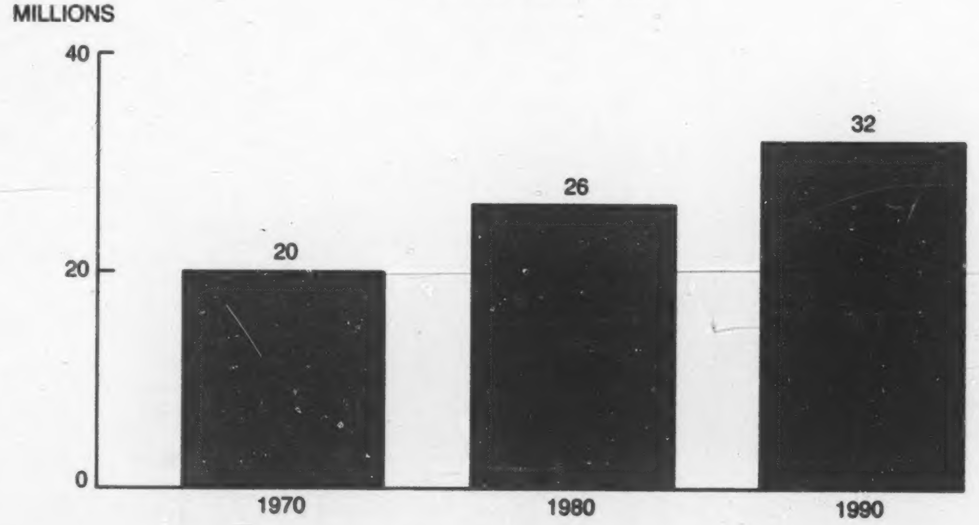
Youth

- College Student Lifestyles
- College Students' Experience with Mail Order Catalogs
- College Students' Reasons for Ordering Merchandise from Direct Mail or Catalog Companies
- Types of Merchandise that Might Appeal to College Students

Women

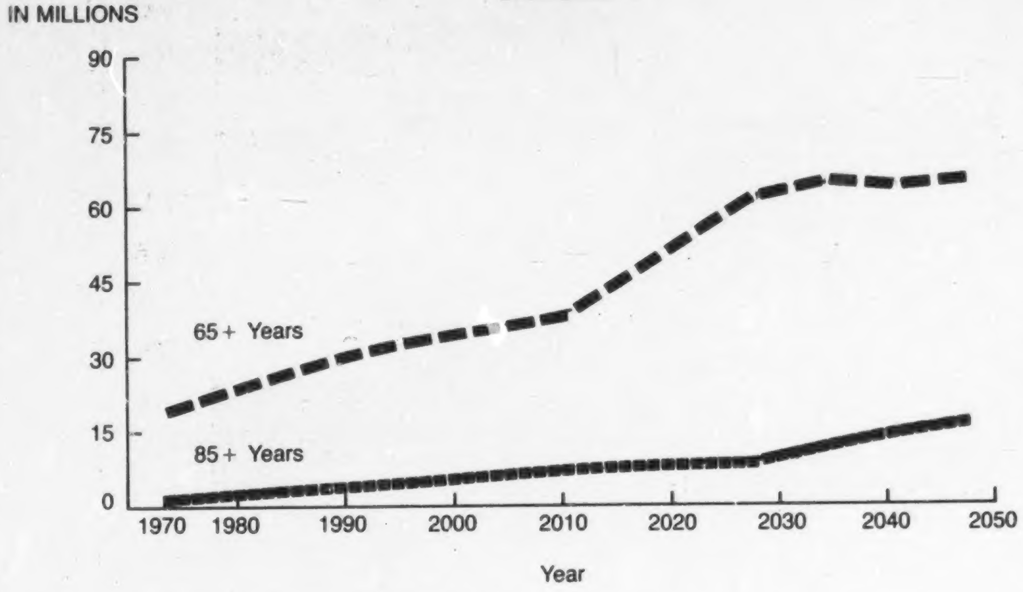
- Women in the Labor force with Children
- Married Couples with Wife in the Labor Force, 1950-1983
- Women in Professions

Population
65 Years Old and Over



Source: American Demographics, 1984

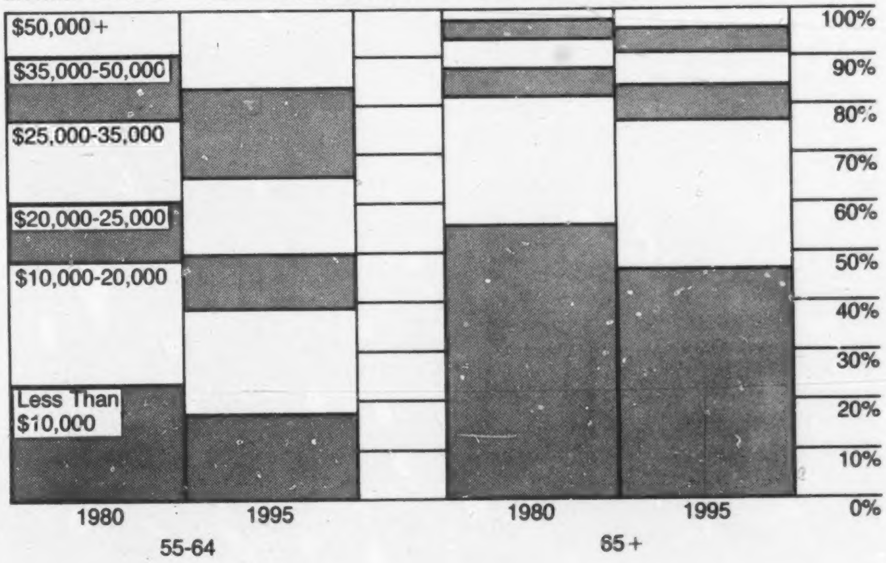
The Older Population
1970-2050



Source: American Demographics, 1984

INCOMES OF THE MATURE MARKET

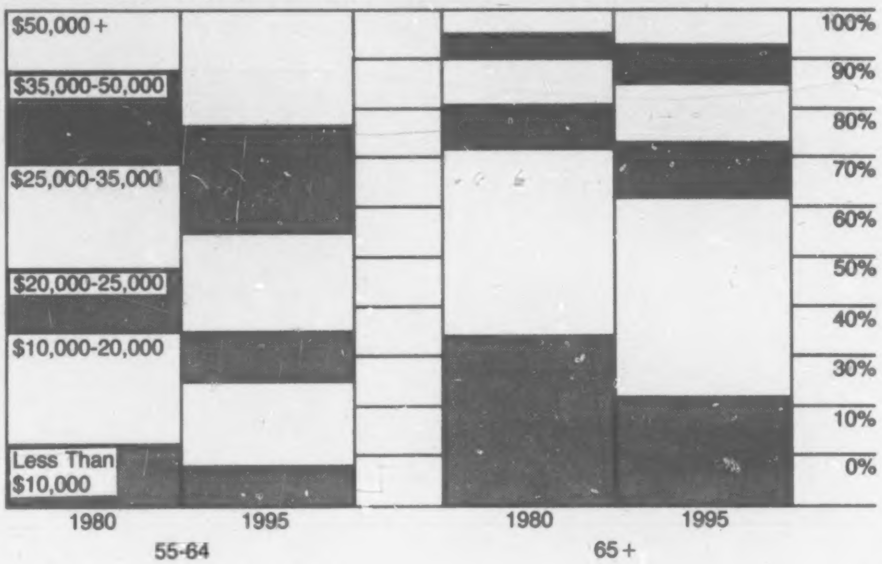
Incomes will rise for all mature households between 1980 and 1995.



Source: American Demographics, 1985

INCOMES OF MATURE MARRIED COUPLES

A large share of households headed by married couples aged 55 and older will have incomes above $20,000 in 1995.



Source: American Demographics, 1985

College Student Lifestyles
Based on random national selection
from MCRB college database

Highlighted Findings

1. 86% respondents were 18-23 years old.
2. 54% receive mail about new products or services for college students.
3. 18% own personal computers.
4. 66% ordered a product or service via mail or toll-free phone. 35% ordered books/magazines, 30% ordered clothing, 21% ordered records/tapes.
5. 68% live on-campus.
6. 65% own cars.
7. 48% plan to invest in stocks, bonds, or commodities.
8. When asked to name their most popular magazines,
   28% subscribe to news magazines.
   21% subscribe to sports magazines.
   21% subscribe to fashion magazines.
9. 25% travel during summer breaks.
10. 15% pay for college themselves.
11. 92% eat out 2-4 times per week.
12. Most popular hobbies include: 68% Sports, 66% Music, and 50% Reading.
13. 50% pay to attend professional sporting events.
14. 63% attend rock concerts.
15. 62% enter contests or sweepstakes.
16. 35% own major credit cards (American Express, Visa, Master Charge).
17. 72% phone home (out-of-state) at least once a week while at school.
18. 10% own or rent a VCR while at school.
19. 40% spend at least $600 annually on discretionary items.
20. 27% spend at least $100 a year on sporting equipment and clothing.

Source: Market Compilation and Research Bureau, 1984

College Students' Experience With Mail Order Catalogs

	Total	Men	Women
Base: Total Respondents	(203) %	(101) %	(102) %
Students reported that they:			
Received catalogs from direct mail or catalog company during past year:	**68**	**65**	**71**
One	11	13	10
More than one	57	52	61
Average	6.9	5.2	8.5
Ordered merchandise from a direct mail or catalog company during past year:	**50**	**41**	**59**
Spent less than $35 in total	12	11	14
Sent $35 or more in total	38	30	45
% receiving who ordered	74	63	83

Source: The Alderman Agency, Inc., Admar Research Co., Inc. 1984

College Students' Reasons for Ordering Merchandise From Direct Mail or Catalog Companies

	Total
Base: Ordered From Catalogs In Past Year	(101)
Students bought through catalogs rather than any other way because:	%
Availability of Merchandise (net)	**60**
Couldn't find what I wanted locally	36
Better quality merchandise	11
Exclusive/unique items	9
L.L. Bean available only through mail order	6
Convenience (net)	**42**
Easier by mail	17
Convenient	13
Saves time/faster	12
Miscellaneous	
Lower price/saves money	20
Dislike going shopping	10
No sales people to pressure you	3

Source: The Alderman Agency, Inc., Admar Research, Co., Inc. 1984

Types of Merchandise That Might Appeal to College Students

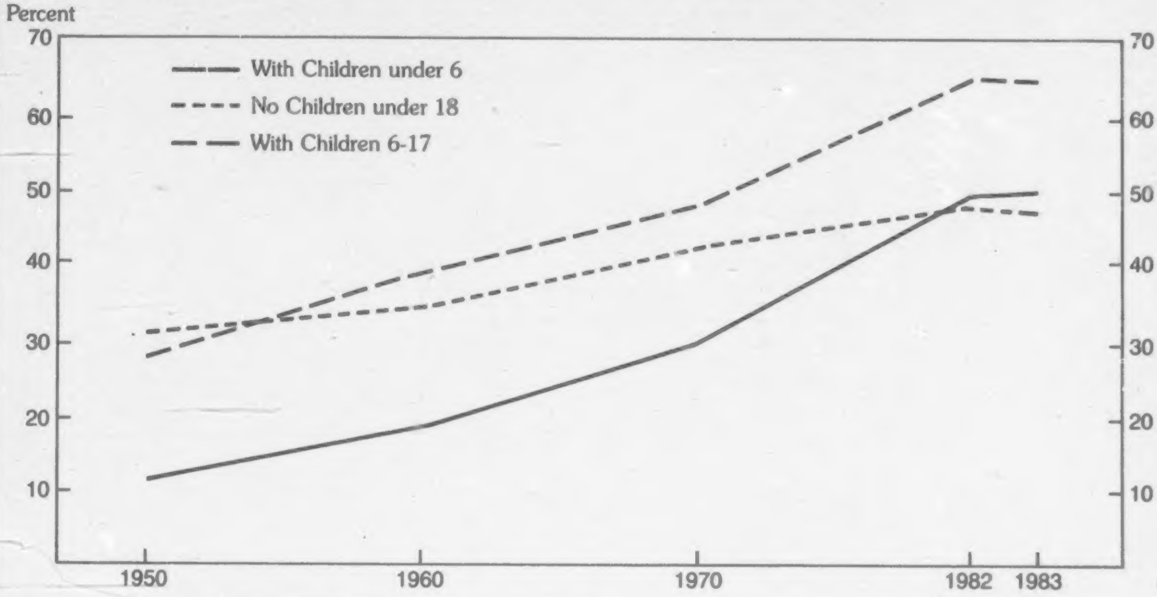
	Total	Ordered From Catalogs In Past Year
Base: Total Respondents	(203) %	(101) %
Merchandise students would find appealing:		
Clothing	83	90
Records	68	70
Gift items under $50	67	67
Sporting goods	66	68
Accessories	63	64
Shoes, boots	61	64
Electronic equipment	59	56
School supplies	45	44
Books	44	43
Camping gear	40	38
Food	34	37
Gadgets	33	37
Home furnishings	19	21
Tools	18	12
Luggage	17	19
Make-up*	12*	13
Gift items over $50	9	9
Trips/travel	6	8

*Mentioned by 23% of women

Source: The Alderman Agency, Inc., Admar Research Co., Inc., 1984

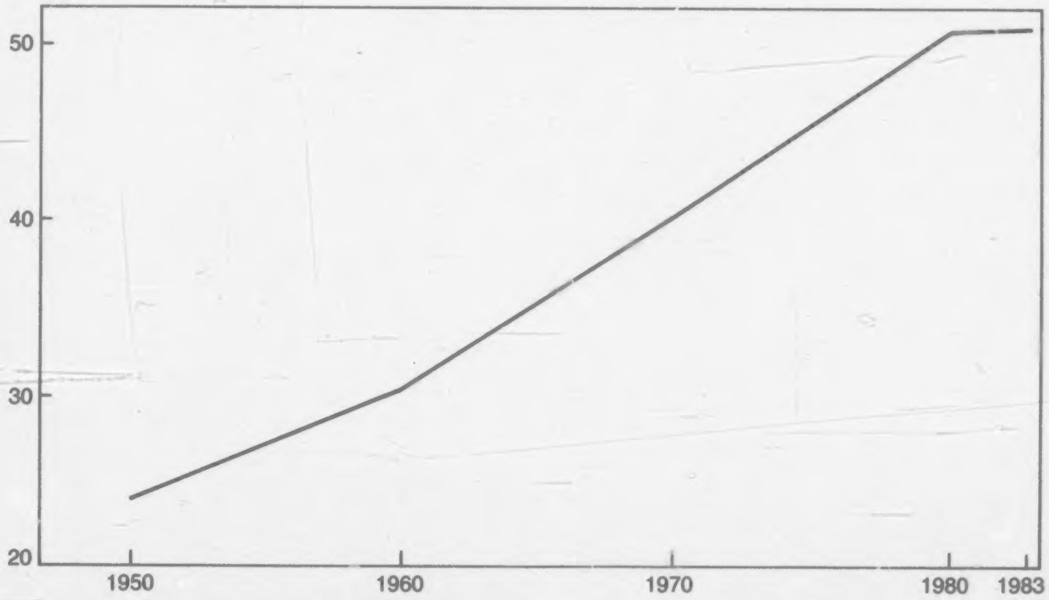
Women in the Labor Force With Children
(Women's Labor Force Participation, 1950-1983)

Women with children have been joining the labor force in recent years. A higher share of women with children than those without children are working or looking for work. This is because women without children under 18 at home are older, on average, and less likely to be attached to the work force.



Source: American Demographics, 1984

Married Couples with Wife in the
Labor Force, 1950-1983

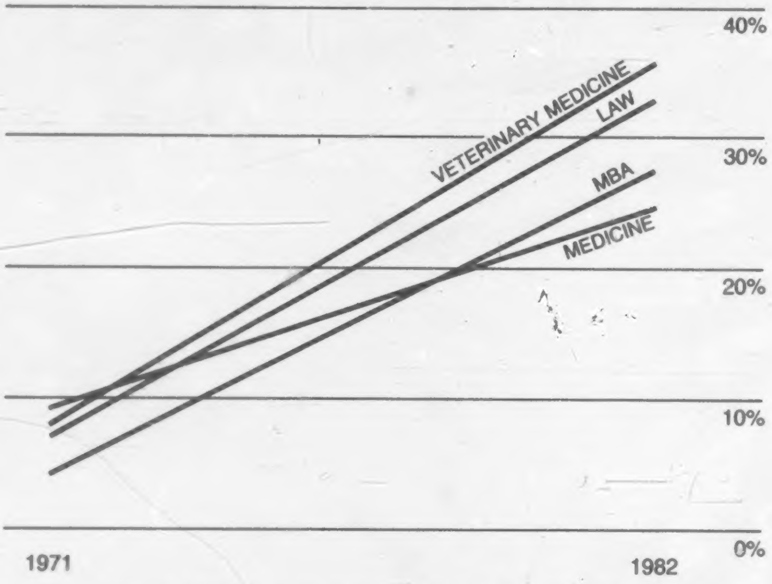


Source: American Demographics, August 1983, March, 1984

Women in Professions

Women are rapidly increasing their presence in traditionally male professions. From less than 10 percent in the graduating classes of 1971, women were one-fourth of medical school graudates and one-third of law school graduates by 1982. The share of MBAs going to women has increased seven-fold.

(share of degrees going to women: 1971-1982)



Source: Condition of Education, 1984. National Center for Education Statistics

Appendix II

Self Regulation

by John M. Cavanaugh
Direct Marketing Association, Inc.

While the message of the early '80s from the Federal government is clearly an urging to private sectors to take care of their own problems through self regulation, the paradoxical activity of more state governments is increased legislation and regulation.

With DMA's experiences over the years, the clear response to any possible governmental position is for the industry to self regulate.

The best proof of the effectiveness of this approach may be seen in the details of the historic meeting of the 1974 Privacy Act and the Privacy Protection Study Commission with the DMA Mail Preference Service. That single DMA service to consumers helped the Commission to opt for continued self regulation of direct marketing in contrast to suggesting confining and possible debilitating legislation. DMA's efforts at self regulation turned the tide. It was a lesson not to be forgotten.

Privacy Protection Study Commission's Mandate

The Privacy Protection Study Commission was given a general mandate to look at a wide range of issues including the use of Social Security numbers, interstate transfers of information, databanks, and information systems. In addition, it was given specific directions to study "whether a person engaged in interstate commerce who maintains a mailing list should be required to remove an individual's name and address from such list upon request of that individual."

DMA and Industry Respond

The Commission's investigations which began in 1974 elicited a massive response from DMA and its members. From this response, and the subsequent positive decision by the Commission on the use of names, came the Freedom To Mail campaign and the voluntary use of individual mail preference service offerings made by direct marketers both within the DMA membership and non-members.

Freedom to Mail Campaign

A joint fund raising and public relations campaign began which created the Freedom To Mail Campaign. This campaign educated consumers and governmental representatives; urged direct marketers to adapt the rule of self regulation; monitored individual mail preference service offerings; strengthened DMA's Ethics activities, Guideline formation and distribution and DMA's own self regulatory and policing policies and practices.

Self Regulation is Good Business

When DMA initiated the Mail Preference Service in 1971, it did so with deep concern from several of its members. There was a fear that names would be lost and lists decimated. But the sensible arguments prevailed. Since that time, the industry has come to realize how practical it is to remove names of individuals from lists who do not want to receive the mailings in question.

Recent examinations of the nature of DMA's name removal lists indicated that the service is exactly on target. The list contains a large percentage of highly educated, vocal individuals who choose to limit the extent of their mailings, wish to be selective and certainly know how and where to complain if their wishes are not heeded. This highlights an all-too-often forgotten aspect of the name removal list; the fact that it gives these vocal individuals a response to their concerns and avoids the possibility of their approaching governmental groups and agencies.

On-Going Threat

The threat of federal and state regulation is ever present as new areas of direct marketing expand. DMA members must realize that the industry's efforts at self-regulation must be a continuous way of doing business.

The early 1980's saw an increased emphasis at the state level in legislative initiatives concerning telemarketing. In response to personal privacy concerns, DMA introduced the Telephone Preference Service (TPS) in January, 1985. TPS enables consumers to have their names and telephone numbers removed from national telemarketing lists.

The introduction of cable and more direct in-home shopping must bring renewed and refined self-regulatory procedures to assure complete protection for the consumer. In response to these new areas of concerns, DMA issued, in 1981, the first set of guidelines to cover some of these areas, the Personal Information Protection Guidelines (reproduced in Appendix III).

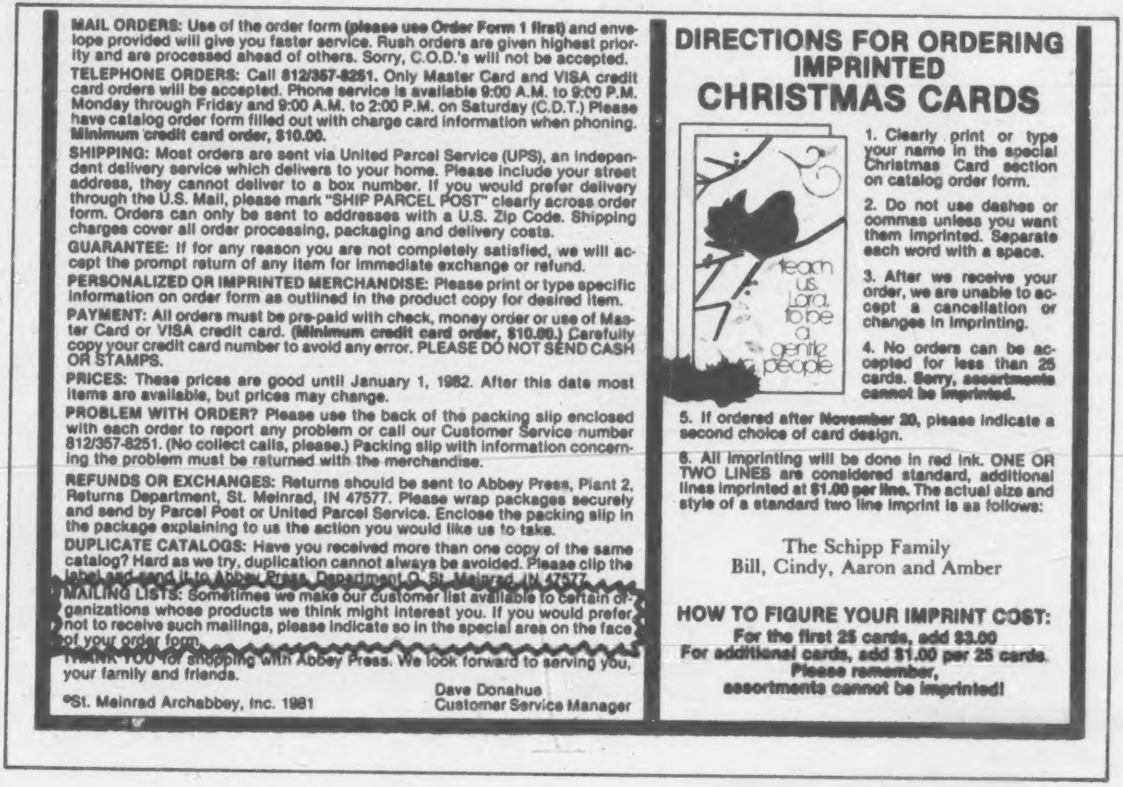
Self Regulation and Ethics

A major result of the renewed self-regulatory plan of DMA was the strengthening and restructuring of its Ethics Department. In its continuing efforts to improve the image of direct mail and direct marketing, DMA sponsors several activities in its Ethics and Consumer Affairs Department.

- ***Ethical Guidelines*** are maintained, updated periodically and distributed to the field.
- ***A Committee on Ethical Business Practices*** monitors the mails and direct offerings to the consumer and investigates complaints brought to its attention.
- ***An Ethics Policy Committee*** initiates programs and projects directed toward improving the image of direct marketing.
- ***MOAL (Mail Order Action Line)*** handles consumer mail order complaints; ***MPS (Mail Preference Service)*** offers "less mail" or "more mail" to consumers requesting it; ***TPS (Telephone Preference Service)*** allows consumers to have their names removed from national telemarketing lists.

All Ethics activities are directed by a full time Director of Ethical Practices and Consumer Affairs, in the DMA Washington Office.

SAMPLES OF NAME REMOVAL OPTIONS OFFERED BY DIRECT MARKETERS. Additional information on this matter may be obtained from DMMA's INFO CENTRAL in DMMA Headquarters, New York, NY



MAIL ORDERS: Use of the order form **(please use Order Form 1 first)** and envelope provided will give you faster service. Rush orders are given highest priority and are processed ahead of others. Sorry, C.O.D.'s will not be accepted.

TELEPHONE ORDERS: Call **812/357-8251.** Only Master Card and VISA credit card orders will be accepted. Phone service is available 9:00 A.M. to 9:00 P.M. Monday through Friday and 9:00 A.M. to 2:00 P.M. on Saturday (C.D.T.) Please have catalog order form filled out with charge card information when phoning. **Minimum credit card order, $10.00.**

SHIPPING: Most orders are sent via United Parcel Service (UPS), an independent delivery service which delivers to your home. Please include your street address, they cannot deliver to a box number. If you would prefer delivery through the U.S. Mail, please mark "SHIP PARCEL POST" clearly across order form. Orders can only be sent to addresses with a U.S. Zip Code. Shipping charges cover all order processing, packaging and delivery costs.

GUARANTEE: If for any reason you are not completely satisfied, we will accept the prompt return of any item for immediate exchange or refund.

PERSONALIZED OR IMPRINTED MERCHANDISE: Please print or type specific information on order form as outlined in the product copy for desired item.

PAYMENT: All orders must be pre-paid with check, money order or use of Master Card or VISA credit card. **(Minimum credit card order, $10.00.)** Carefully copy your credit card number to avoid any error. PLEASE DO NOT SEND CASH OR STAMPS.

PRICES: These prices are good until January 1, 1982. After this date most items are available, but prices may change.

PROBLEM WITH ORDER? Please use the back of the packing slip enclosed with each order to report any problem or call our Customer Service number 812/357-8251. (No collect calls, please.) Packing slip with information concerning the problem must be returned with the merchandise.

REFUNDS OR EXCHANGES: Returns should be sent to Abbey Press, Plant 2, Returns Department, St. Meinrad, IN 47577. Please wrap packages securely and send by Parcel Post or United Parcel Service. Enclose the packing slip in the package explaining to us the action you would like us to take.

DUPLICATE CATALOGS: Have you received more than one copy of the same catalog? Hard as we try, duplication cannot always be avoided. Please clip the label and send it to Abbey Press, Department O, St. Meinrad, IN 47577.

MAILING LISTS: Sometimes we make our customer list available to certain organizations whose products we think might interest you. If you would prefer not to receive such mailings, please indicate so in the special area on the face of your order form.

THANK YOU for shopping with Abbey Press. We look forward to serving you, your family and friends.

Dave Donahue
Customer Service Manager

©St. Meinrad Archabbey, Inc. 1981

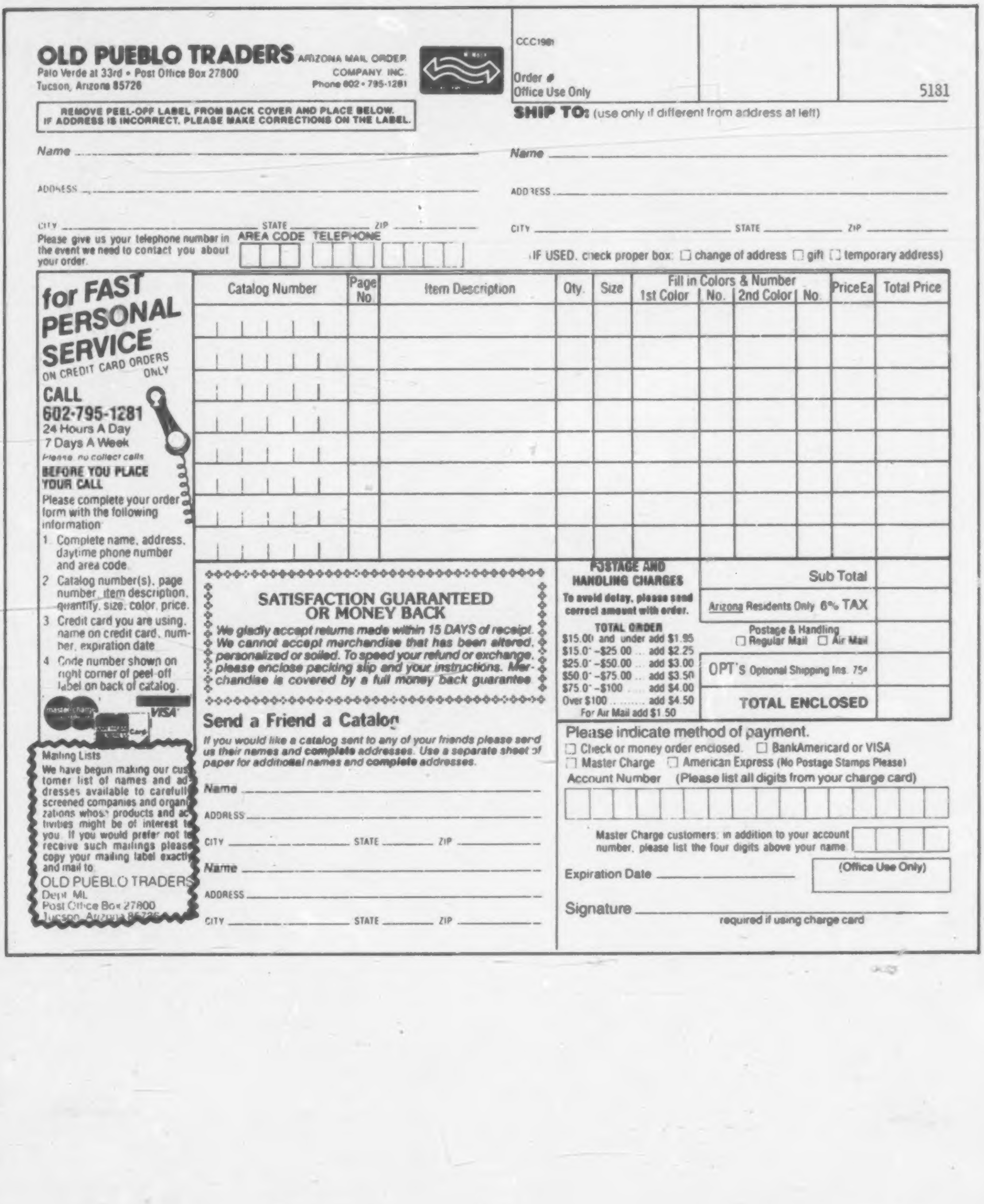
DIRECTIONS FOR ORDERING IMPRINTED CHRISTMAS CARDS

1. Clearly print or type your name in the special Christmas Card section on catalog order form.
2. Do not use dashes or commas unless you want them imprinted. Separate each word with a space.
3. After we receive your order, we are unable to accept a cancellation or changes in imprinting.
4. No orders can be accepted for less than 25 cards. **Sorry, assortments cannot be imprinted.**
5. If ordered after **November 20**, please indicate a second choice of card design.
6. All imprinting will be done in red ink. ONE OR TWO LINES are considered standard, additional lines imprinted at **$1.00 per line.** The actual size and style of a standard two line imprint is as follows:

The Schipp Family
Bill, Cindy, Aaron and Amber

HOW TO FIGURE YOUR IMPRINT COST:

For the first 25 cards, add $3.00
For additional cards, add $1.00 per 25 cards.
Please remember,
assortments cannot be imprinted!



OLD PUEBLO TRADERS ARIZONA MAIL ORDER COMPANY INC.
Palo Verde at 33rd • Post Office Box 27800
Tucson, Arizona 85726
Phone 602 • 795-1281

CCC1981

Order #
Office Use Only

5181

REMOVE PEEL-OFF LABEL FROM BACK COVER AND PLACE BELOW.
IF ADDRESS IS INCORRECT, PLEASE MAKE CORRECTIONS ON THE LABEL.

Name ____________________

ADDRESS ____________________

CITY ____________ STATE ________ ZIP ________

Please give us your telephone number in the event we need to contact you about your order.
AREA CODE ☐☐☐ TELEPHONE ☐☐☐ ☐☐☐☐

SHIP TO: (use only if different from address at left)

Name ____________________

ADDRESS ____________________

CITY ____________ STATE ________ ZIP ________

(IF USED, check proper box: ☐ change of address ☐ gift ☐ temporary address)

for FAST PERSONAL SERVICE
ON CREDIT CARD ORDERS ONLY

CALL
602-795-1281
24 Hours A Day
7 Days A Week
Please no collect calls

BEFORE YOU PLACE YOUR CALL
Please complete your order form with the following information

1. Complete name, address, daytime phone number and area code.
2. Catalog number(s), page number, item description, quantity, size, color, price.
3. Credit card you are using, name on credit card, number, expiration date
4. Code number shown on right corner of peel-off label on back of catalog.

Catalog Number	Page No.	Item Description	Qty.	Size	Fill in Colors & Number 1st Color	No.	2nd Color	No.	Price Ea.	Total Price

SATISFACTION GUARANTEED OR MONEY BACK

We gladly accept returns made within 15 DAYS of receipt. We cannot accept merchandise that has been altered, personalized or soiled. To speed your refund or exchange, please enclose packing slip and your instructions. Merchandise is covered by a full money back guarantee.

POSTAGE AND HANDLING CHARGES

To avoid delay, please send correct amount with order.

TOTAL ORDER	
$15.00 and under	add $1.95
$15.01–$25.00	add $2.25
$25.01–$50.00	add $3.00
$50.01–$75.00	add $3.50
$75.01–$100	add $4.00
Over $100	add $4.50

For Air Mail add $1.50

Sub Total	
Arizona Residents Only 6% TAX	
Postage & Handling ☐ Regular Mail ☐ Air Mail	
OPT's Optional Shipping Ins. 75¢	
TOTAL ENCLOSED	

Send a Friend a Catalog

*If you would like a catalog sent to any of your friends please send us their names and **complete** addresses. Use a separate sheet of paper for additional names and **complete** addresses.*

Name ____________________

ADDRESS ____________________

CITY ____________ STATE ________ ZIP ________

Name ____________________

ADDRESS ____________________

CITY ____________ STATE ________ ZIP ________

Please indicate method of payment.
☐ Check or money order enclosed. ☐ BankAmericard or VISA
☐ Master Charge ☐ American Express (No Postage Stamps Please)

Account Number (Please list all digits from your charge card)
☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

Master Charge customers: in addition to your account number, please list the four digits above your name ☐☐☐☐

Expiration Date ____________

(Office Use Only)

Signature ____________________
required if using charge card

Mailing Lists

We have begun making our customer list of names and addresses available to carefully screened companies and organizations whose products and activities might be of interest to you. If you would prefer not to receive such mailings please copy your mailing label exactly and mail to:

OLD PUEBLO TRADERS
Dept. ML
Post Office Box 27800
Tucson, Arizona

How to Order

It's Easy to Order by Mail

Fill out and mail this order form in one of the enclosed envelopes. As you do, keep these points in mind:

1. You can choose your method of payment – check, money order, credit card or an approved Omaha Steaks account. Due to varying market conditions, prices are subject to change. If necessary, we'll confirm new prices before shipping.

2. Our guarantee of excellent delivery is valid when you furnish proper address. We even guarantee delivery to Post Office boxes when you include the recipient's phone number.

3. A greeting with your name or company name will be imprinted on gift shipping labels. If you wish, we'll use your gift cards when you send them with your order. (max. size 3" x 5")

4. We'll confirm each order and prices with you by return mail.

Delivery

Shipments are made postpaid by United Parcel Service, Parcel Post, or Priority Mail.

Air Freight Shipments

With air freight rates constantly changing, we ask that you please call or write for details.

Other Offers

Your name, as a part of our customer family, is made available to carefully screened organizations with an offer or appeal that might interest you. If you would rather not receive such offers, please let us know.

Family or Friends in Alaska or Hawaii?

A limited selection of products is now available for you to send them. Please call or write for details.

Order Now—Pay Later With Our Brand New DELAYED BILLING Service

No longer will we bill you immediately for credit card orders you'd like shipped in the future. From now on, we'll hold onto those bills until two weeks before the shipment dates you request.

Order Our Special of the Day!

It may be just what you're hungry for—a box of juicy steaks, a heat-and-serve entrée, or one of the other luscious foods shown in this catalog. While it's on special, you can have it delivered with your order at a special low price! Just ask our operator about our "Special of the Day" any time you call in an order.

It's Easy to Order by Phone

And now, you can call FREE from Puerto Rico and the Virgin Islands, too!

Just call us—toll free—at (800) 228-9055 anytime, 24 hours a day, 7 days a week with credit card orders.

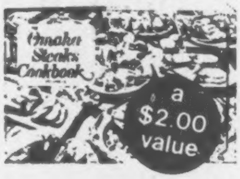
You may find it helpful to fill out an Omaha Steaks order form to use as a reference when calling.

For customer service, call (800) 228-9872 toll free—anytime.

Nebraska residents, call (402) 391-3660 collect.

Cable Address: OMASTEAK, Omaha, Nebraska Telex Number: 48-4488

Valuable Bonus



Free Cookbook

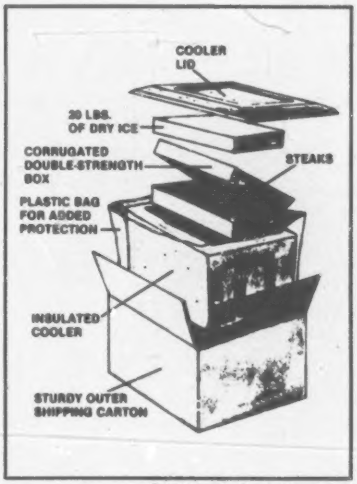
- Complete information on cooking Omaha Steaks
- Easy-to-follow instructions for all Omaha Steaks products
- Helpful serving hints
- Exclusive recipes by food authority James Beard
- Complete selection of James Beard's sauce recipes, to complement your Omaha Steaks

You must be pleased

Guarantee...

If you are not pleased for any reason, we will replace your order or refund your money, whichever you prefer.

How Your Frozen Foods Get From Omaha to You — in Top Condition.


COOLER LID
20 LBS. OF DRY ICE
CORRUGATED DOUBLE-STRENGTH BOX
STEAKS
PLASTIC BAG FOR ADDED PROTECTION
INSULATED COOLER
STURDY OUTER SHIPPING CARTON

© 1981 Omaha Steaks International

Your frozen food orders will arrive at your front door still firmly frozen — all the way from Omaha. Several layers of packaging, including an insulated cooler and plenty of dry ice, assure safe arrival in top condition.

We've been shipping meat across the country and around the world for over 25 years. All this experience has helped us develop our dependable method of packaging.

In fact, we're so sure this method works that we **guarantee** it. Your frozen food orders must arrive in excellent condition, or we'll replace your order or refund your money.

As a bonus for you, once you've unpacked your frozen foods, you'll be able to re-use the cooler for your own picnics. It's a $4.00 value that's yours to keep—at no extra cost.

Omaha Steaks International®
4400 South 96th Street, Omaha, Nebraska 68127

HOW TO ORDER

Easy Ordering: Order by product number, the brief description, page number, quantity and unit price. We prefer you use the order blank provided, but if you do not have one, feel free to use your own paper. When ordering package quantities indicate PKG in description. You may order by phone. Call (609) 547-8900 anytime 24 hours a day, 7 days a week. Phone service available to MasterCard, VISA, American Express and Diners Club card holders and to Edmund's approved open accounts.

Convenient Payments: For your convenience we gladly accept MasterCard, VISA, American Express and Diners Club cards. Please give number, expiration date, & your signature. We also welcome personal checks, money orders, & cashiers checks. Sorry, we are unable to accept cash, postage stamps, or C.O.D.'s.

Open Accounts are available only to firms with Dun & Bradstreet ratings of "Good" or higher. Federal and local governments, recognized schools, and well-known institutions. If you wish to establish credit with Edmund, please send one bank and three commercial references. Credit checks normally take 4 to 6 weeks. In a hurry? Send check with your firm's order as well as your credit references or use credit card.

Open Account Terms: net 30 days. Packaging & guaranteed delivery chart does not apply to open accounts. All open account orders shipped F.O.B. Barrington, N.J.

Prices: Edmund Scientific diligently strives to maintain the lowest possible prices and still offer our customers the highest quality products available. Prices in this catalog are effective September 1, 1981 and supercede all previous catalog prices. Unfortunately, due to inflation, prices must be subject to change without notice.

Gift Certificates from Edmund Scientific. Can't decide on a gift for a friend? We will send a gift certificate for $10 or more along with your best wishes and a Free Edmund Catalog. Send request to: Attention Gift Dept.

Packing and Guaranteed Delivery: Includes postage cost, insurance, guaranteed delivery, and careful individual packing and handling by Edmund Scientific. Simply find the range within the dollar amount of your order on the chart provided below and add to your total.

PACKING AND GUARANTEED DELIVERY: On all orders shipped in the U.S., its territories or possessions, to each shipping address, add

Orders up to	$ 10.00 add	$1.99
Orders from	10.01 to $25.00 add	$3.00
Orders from	25.01 to $50.00 add	$3.95
Orders from	50.01 to $100.00 add	$5.60
Orders from	100.01 to $200.00 add	$6.85
Orders over $200.00 add		$9.00

Discontinued Products: If you wish to order a product from an old catalog, don't hesitate. Go ahead and order. Chances are we still have the item in stock. If not, we'll [illegible]

Mail Preference Service: In our continuing effort to provide our customers with the best possible service, we occasionally make our mailing lists available to carefully selected, high quality companies whose products and services we feel may interest you. **You Have A Choice**... if for any reason you do NOT wish to receive these mailings, copy your mailing label exactly and return to us: Attn: Mail Preference Supervisor.

Receive More Than One Catalog? Send us the label (s) from the additional catalog you do not want and we will promptly correct the duplication. Then, give your extra catalog to a friend.

Need More Information? Feel free to call our Main Switchboard weekdays 8 am to 4:30 pm (609) 547-3488.

Edmund Is International
Distributors Around The World

Order directly from the nearest Edmund Scientific Distributor listed below. Or write to: International Department, 101 E. Gloucester Pike, Barrington, New Jersey 08007. (Please write in English when ordering directly from Edmund U.S.A.)

SWITZERLAND
EDMUND SCIENTIFIC S.A.
11 Rue Cornavin [illegible]
1211 [illegible] Geneva
Switzerland
Telephone +41 [illegible]
Telex [illegible]

NEW ZEALAND
[illegible] SCIENCE
COMPANY LTD
[illegible]
Christchurch P.O. Box [illegible]
New Zealand
Phone [illegible] Cable [illegible]
Telex [illegible]

AUSTRALIA
HUNTER SCIENTIFIC
Shop 2, 767 Hunter St
Newcastle N.S.W.
P.O. Box 2126
Dangar N.S.W. 2309

JAPAN
EDMUND SCIENTIFIC CO
c/o KOYO CORPORATION
[illegible] Park Bldg
[illegible]
Chuo-ku, Tokyo [illegible] Japan

SWEDEN
TEKNO-OPIK
[illegible]
S-44 [illegible]
Telephone [illegible]

CANADA
EFSTON SCIENCE
[illegible]
Toronto, Ontario
Canada M6A [illegible]
Telephone (416) [illegible]
Telex [illegible]

ENGLAND
EDMUND SCIENTIFIC
C/O RHEINBERGS LTD
[illegible] Way
Tonbridge [illegible]
Kent, London, England
Telex [illegible]
[illegible] Rheinberg Tonbridge
Telephone
[illegible]

WESTERN EUROPE
Austria, Belgium, Denmark,
Finland, France, Germany,
Greece, Italy, Luxemburg,
Netherlands,
Norway, Portugal, Spain. Write
to our office in [illegible]
Switzerland

International Prices: U.S. prices listed Net F.O.B. Barrington, N.J. Customs, duties, etc. may cause higher prices for overseas distributors. Use order blank in catalog when available or request one from your local distributor or Edmund's International Dept. Export declarations and consular documentation additional. Complete Cost & Freight Proforma invoice submitted upon request.

Terms: Prepayment of order (U.S. currency only) or irrevocable letter of credit-at-sight. UNESCO coupons accepted with prior approval.

Returns: Prior approval for all returns.

Additional Catalogs: Send $2.00 for 1st Class (sent surface mail) and $3.50 for Air Mail postage.

Detach this Bonus Gift Coupon and Send with your order. Your calendar will arrive with your Edmund products.

FREE BONUS GIFT!

This spectacular 12 x 12" 1982 Space Calendar—a $6.95 Value!—is yours FREE with your $75.00 order from Edmund Scientific! Twelve dramatic views of the awesome realm of outer space—from the magnificent Space Shuttle Columbia to a mind-expanding artistic rendering of a meteorite gashing a crater in a young Earth!

You Must Be Pleased— That's Our Guarantee!

You must be completely satisfied with your Edmund purchase or we will return your money promptly, no questions asked! All our products are carefully tested for quality and are honestly described in our catalog. That means you can buy with confidence each and every time. If you're not completely happy with your purchase for any reason at all, just send back the item and we will promptly return your money. That's my personal guarantee!

Order By Telephone

It's the easiest, fastest, and most convenient way to order by mail. Just call our Direct Line To Order Department, day or night, 24-hours a day, every day of the year. We gladly accept MasterCard, VISA, American Express and Diners Club credit cards. Call:

Direct Order Telephone Line
(609) 547-8900
Always Open
24-hours, 7 days a week
for our Credit Card Customers

Send A Catalog To A Friend

If you enjoy our unique catalog, so will most of your friends! Just fill in their names below and we will rush them their FREE copy of the Edmund Scientific Catalog.

Name ______________________________
Address ____________________________
City ________________________________
State ____________________ **Zip** ________

Name ______________________________
Address ____________________________
City ________________________________
State ____________________ **Zip** ________

Name ______________________________
Address ____________________________
City ________________________________
State ____________________ **Zip** ________

Give us your name and we will send the catalog with your compliments.

____

You Must Be Pleased—That's Our Guarantee!

You must be completely satisfied with your Edmund purchase or we will return your money promptly, no questions asked! All our products are carefully tested for quality and are honestly described in our catalog. That means you can buy with confidence each and every time. If you're not completely happy with your purchase for any reason at all, just send back the item and we will promptly return your money. That's my personal guarantee!

DIRECT ORDER TELEPHONE LINE

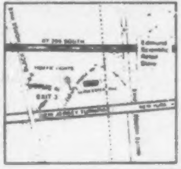
Always Open
24 Hrs. A Day
7 Days A Week

(609) 547-8900

24-Hour Telephone Service For Credit Card Customers

VISIT OUR FACTORY RETAIL STORE

A great place to buy all items in this catalog and much, much more!



STORE HOURS:

Monday through Wednesday and Saturday: 9:00 AM to 5:30 PM
Thursday and Friday: 9:00 AM to 9:00 PM
Sunday: 12:00 Noon to 5:00 PM
CLOSED: New Year's Day, Easter Sunday, Memorial Day, Independence Day and December 25th.
And, as always, FREE LIGHT SHOWS DAILY!
Minutes from Exit 3 of the N.J. Turnpike or from the "Route 30 East" Exit of Route 295. Call us for complete directions!

PEACHTREE

REPORT

4795-F Fulton Industrial Blvd.
Atlanta, Georgia 30336

F-1

PLACE PEEL-OFF LABEL FROM BACK COVER HERE WHETHER LABEL ADDRESS IS CORRECT OR INCORRECT. IF LABEL IS WRONG OR YOU ARE MOVING, FILL IN CORRECT INFORMATION BELOW. IF YOU RECEIVE DUPLICATE CATALOGS, PLEASE ATTACH EXTRA LABELS.

NAME

ADDRESS

CITY

STATE ZIP

PHONE ( )

☐ Check or money order enclosed, (sorry no c.o.d's).

We honor MasterCard ☐, VISA (BankAmericard) ☐

InterBank Number (MasterCard only) ☐☐☐☐

Account number (All digits, please):

☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

Expiration Date________ SIGNATURE (Required for charge orders only)

TO ORDER A GIFT CERTIFICATE: Write in "gift certificate" and amount on order form with other items. Please include the postage and handling amount in the amount of your certificate. Add tax, if applicable. Please fill in "enclosure card message" section.

CUSTOMER SERVICE: For inquiries other than orders, please call (404) 691-7311. We cannot accept collect calls at this number.

MONOGRAM INFORMATION: Specify up to 3 initials (in true order), underlining last name initial. Available only where monogramming is offered.

ITEMS ORDERED TOGETHER may or may not be shipped to you the same day. We will notify you of any delay over 20 days in shipping. Please allow extra time for monogramming or imprinting.

PHONE ORDERS For fastest service please have all credit card information readily available and call

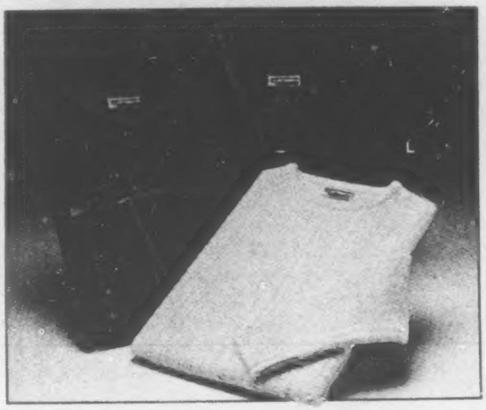
TOLL FREE
800-241-9321

Georgia residents please call 404-691-7633 collect. A staff member will be happy to assist you with your shopping between the hours of 8 a.m. and 9 p.m. (EST). At other times your telephone order will be recorded for immediate processing.

RETURN POLICY: Any returns must be made within 30 days following your receipt of merchandise. We cannot accept returns sent after 30 days from the date you received merchandise.

ITEM NO.	DESCRIPTION OF ITEM OR GIFT CERTIFICATE	SIZE	QTY	Monogram 1-2-3	ITEM PRICE	GIFT BOXED $1.00	TOTAL CHARGE	Please print name and address for items to be shipped to address other than your own	Enclosure Card Message
								Name Address City State Zip	To: From: Message:
								Name Address City State Zip	To: From: Message:
								Name Address City State Zip	To: From: Message:
								Name Address City State Zip	To: From: Message:
								Name Address City State Zip	To: From: Message:
								Name Address City State Zip	To: From: Message:
						Sub-Total		SPECIAL INSTRUCTIONS:	
						Georgia Residents Add Sales Tax			
						Postage, Handling and Insurance [illegible]			
						TOTAL ORDER			

MAIL PREFERENCE: We grow by mailing our catalogs to new people. Their names come from friends who ask us to mail them a catalog and from other reputable direct mail companies. We also rent lists from and/or to these companies only after carefully selecting and approving the products or offers that they intend to mail to our customers. If you prefer not to receive additional offers, please copy your label exactly and mail it to: Mail Preference Service, 4795-F Fulton Industrial Blvd., Atlanta, Georgia 30336.



Add Softness To Your Autumn Wardrobe.

33L. 124-4-303 Muted autumn colors and baby cables in front make this furblend sweater a beautiful addition to every wardrobe. The Talbots exclusive from Ciao Sport, Ltd., it will add softness and warmth on those cool days. Lambswool/angora/nylon. Hand wash or dry clean. Deep rose(22), violet(41), white(80), jade(12), silver grey(72). See 6B. Sizes S(6-8), M(10-12), L(14-16). $44.00

Monogram Information

1. Please write your initials on the order form with your first name first, your middle name second, and your last name third. We will place them in the proper order, according to the style you've selected. If the design has one letter larger than the others, this will be the initial of your last name. When all the letters are the same size, your last name's initial will appear last.

2. When an item can be monogrammed in a choice of colors, please refer to the list opposite and use the appropriate color number when ordering.

3, On all other monogramming, the color is coordinated to each item, and no color number is necessary.

4. Monograms are available only on those items indicated.

5. Please allow two weeks for delivery.

1. white
2. navy
3. red
4. black
5. green
6. brown
7. cream
11. yellow
12. coral
14. blue
15. charcoal
16. pink
17. hot pink
36. burgundy
41. orange
42. rust
62. raspberry
65. lavender

Guarantee

If for any reason you are not satisfied with your purchase, please return the merchandise and we will replace it or refund your money, whichever you prefer. No time limit. No exceptions. And refunds or replacements are made promptly.

Call Toll-Free

From the continental United States, Puerto Rico, and the U.S. Virgin Islands, call 800-225-8200

From Massachusetts
800-232-8181

From Alaska, Hawaii and foreign countries
617-749-7830

Hours
Monday through Friday 8:30 A.M. to 10:00 P.M.
Saturdays and Sundays 9 A.M. to 6 P.M. Eastern time

Any other time, including holidays, automatic equipment will record your call. You may either place your order or leave your number and we'll call you back.

Duplicate Mailings

If you receive more than one copy of our catalog, please send us all the labels and indicate the correct one to help us prevent this from happening again.

Shipping

Most of our merchandise is shipped within 24 hours. Sometimes, though, a supplier ships late or merchandise has to be sent back because it doesn't meet our standards. We will notify you of any delay. Unless you request differently we ship via United Parcel Service. If you select air delivery your order will be shipped U.P.S. Blue Label or Priority Mail, whichever is faster, to your location. Shipments to Alaska, Hawaii and foreign countries are sent air mail or U.P.S. and billed at cost. Canadian shipments are sent Parcel Post and billed at cost.

Mailing Lists

Occasionally we make customer names available to firms offering merchandise that may be of interest to you. If you would prefer not to receive these mailings, please copy your label exactly as it appears on this catalog and send it to: The Talbots Mail Preference Service, 164 North Street, Hingham, MA 02043.

Appendix III

Ethics

by John M. Cavanaugh
Direct Marketing Association, Inc.

The Ethics and Consumer Affairs Department function within DMA is a major part of the Association's commitment to self-regulation and to the monitoring of the direct marketing arena.

Headed by a full time Director of Ethical Practices, the office is assisted by two major committees:

- *The Committee on Ethical Business Practices* (also known as the Operating Committee) examines questionable mailings or practices brought to its attention and acts to correct any activities which are contrary to the DMA Guidelines for Ethical Business Practices. The Committee also updates and maintains these Guidelines.
- *The Ethics Policy Committee* develops programs and projects that are aimed at improving the overall image of direct marketing.

The Ethics Department also periodically distributes and updates the Guidelines for Acceptance of Direct Response Broadcast Advertising, The Guidelines for Acceptance of Direct Response Print Advertising and the Personal Information Protection Guidelines.

Guidelines for Telephone Marketing Practices have been approved by the DMA Board of Directors and are now available for distribution.

The Guidelines

1. Ethical Business Practices

The Direct Marketing Association's Guidelines for Ethical Business Practices are intended to provide individuals and organizations involved in direct mail and direct marketing with principles of conduct that are generally accepted nationally and internationally. These Guidelines reflect DMA's long-standing policy of high levels of ethics and the responsibility of the Association and direct marketers to the consumer and the community—a relationship that must be based on fair and ethical principles.

What distinguishes the Guidelines, which are self-regulatory in nature, is that all are urged to support them in spirit and not to treat their provisions as obstacles to be circumvented by legal ingenuity. The Guidelines are intended to be honored in the light of their aims and principles.

These Guidelines are also part of the DMA's general philosophy that self-regulatory measures are preferable to governmental mandates whenever possible. Self-regulatory actions are more readily adaptable to changing techniques, economic and social conditions, and they encourage widespread use of sound business practices.

Because it is believed that dishonest, misleading, immoral, salacious or offensive communications make enemies for all advertising/marketing, including direct response marketing, observance of these Guidelines by all concerned is recommended.

The Terms of the Offer

Honesty — Article #1: All offers should be clear, honest and complete, so that the consumer may know the exact nature of what is being offered, the price, the terms of payment (including all extra charges), and the commitment involved in the placing of an order. Before publication of an offer, direct marketers should be prepared to substantiate any claims or offers made. Advertisements or specific claims which are untrue, misleading, deceptive, fraudulent or unjustly disparaging of competitors should not be used.

Clarity — Article #2: A simple statement of all the essential points of the offer should be clearly displayed in the promotional material. When an offer illustrates goods which are not included or cost extra, these facts should be made clear.

Print Size — #3: Print which by its small size, placement or other visual characteristics is likely to substantially affect the legibility of the offer, or exceptions to it, should not be used.

Actual Conditions — Article #4: All descriptions and promises should be in accordance with actual conditions, situations and circumstances existing at the time of the promotion. Claims regarding any limitations (such as time or quantity) should be legitimate.

Disparagement — #5: Disparagement of any person or group on grounds of race, color, religion, national origin, sex, marital status or age is unacceptable.

Standards — Article #6: Solicitations should not contain vulgar, immoral, profane, or offensive matter nor promote the sale of pornographic material or other matter not acceptable for advertising on moral grounds.

Advertising to Children — Article #7: Offers suitable for adults only should not be made to children.

Photographs and Art Work — Article #8: Photographs, illustrations, artwork, and the situations they represent, should be accurate portrayals and current reproductions of the product, service, or other subject in all particulars.

Sponsor and Intent — Article #9: All direct marketing contacts should disclose the name of the sponsor and each purpose of the contact. No one should make offers or solicitations in the guise of research or a survey when the real intent is to sell products or services or to raise funds.

Identity of Seller — Article #10: Every offer and shipment should sufficiently identify the full name and street address of the direct marketer so that the consumer may contact the individual or company by mail or phone.

Solicitation in the Guide of an Invoice — Article #11: Offers that are likely to be mistaken for bills or invoices should not be used.

Postage and Handling Charges — Article #12: Postage or shipping charges and handling charges, if any, should reflect as accurately as practicable actual costs incurred.

Special Offers

Use of the Word "Free" and other Similar Representations — Article #13: A product or service which is offered without cost or obligation to the recipient may be unqualifiedly described as "free."

If a product or service is offered as "free," for a nominal cost or at a greatly reduced price and the offer requires the recipient to purchase some other product or service, all terms and conditions should be clearly and conspicuously disclosed and in close conjunction with the use of the term "free" or other similar phrase.

When the term "free" or other similar representations are made (for example, 2-for-1, half price or 1-cent offers), the product or service required to be purchased should not be increased in price or decreased in quality or quantity.

Negative Option Selling — Article #14: All direct marketers should comply with the FTC regulation governing Negative Option Plans. Some of the major requirements of this regulation are listed below:

Offers, which require the consumer to return a notice sent by the seller before each periodic shipment to avoid receiving merchandise, should contain all important conditions of the plan including:

a. A full description of the obligation to purchase a minimum number of items and all the charges involved and,

b. the procedures by which the consumer receives the announcements of selections and a statement of their frequency; how the consumer rejects unwanted items and how to cancel after completing the obligation.

The consumer should be given advance notice of the periodic selection so that the consumer may have a minimum of ten days to exercise a timely choice.

Because of the nature of this kind of offer, special attention should be given to the clarity, completeness and prominent placement of the terms in the initial offering.

Sweepstakes — Article #15: All direct marketers should abide by the DMA Guidelines for Self-Regulation of Sweepstakes Promotions. Articles #16 through #18 below contain the basic precepts of these Guidelines.

Clear and Conspicuous Disclosure of Rules — Article #16: All terms and conditions of the sweepstakes, including entry procedures, the number and types or prizes, the closing dates, eligibility requirements, and the fact that no purchase is required should be disclosed in a clear and conspicuous manner in the promotion.

Devices, check boxes, reply envelopes and the like used for entering the sweepstakes only should be as conspicuous as those utilized for ordering the product or service and entering the sweepstakes.

Prizes — Article #17: All prizes advertised should be awarded. Winners should be selected in a manner that ensures fair application of the laws of chance.

Chances of Winning — Article #18: No sweepstakes promotion, or any of its parts, should state or imply that a recipient has won a prize or overstate the chances of winning.

Price Comparisons — Article #19: Price comparisons may be made in two ways:

a. between one's price and a former, future or suggested price, or

b. between one's price and the price of a competitor's comparable product.

In all price comparisons, the compared price against which the comparison is made must be fair and accurate.

In each case of comparison to a former, suggested, or competitor's comparable product price, substantial sales should have been made at that price in the recent past.

For comparisons with a future price, there should be a reasonable expectation that the future price will be charged in the foreseeable future.

Guarantees — Article #20: If a product or service is offered with a "guarantee" or a "warranty," the terms and conditions should either be set forth in full in the promotion, or the promotion should state how the consumer may obtain a copy. The guarantee should clearly state the name and address of the guarantor and the duration of the guarantee.

Any requests for repair, replacement or refund under the terms of a "guarantee" or "warranty" should be honored promptly. In an unqualified offer of refund, repair, or replacement, the customer's preferences shall prevail.

Special Claims

Use of Test or Survey Data — Article #21: All test or survey data referred to in advertising should be competent and reliable as to source and methodology, and should support the specific claim for which it is cited. Advertising claims should not distort the test or survey results nor take them out of context.

Testimonials and Endorsements — Article #22: Testimonials and endorsements should be used only if they are:

a. authorized by the person quoted,

b. genuine and related to the experience of the person giving them, and

c. not taken out of context so as to distort the endorser's opinion or experience with the product.

The Product

Product Safety — Article #23: Products should be safe in normal use and be free of defects likely to cause injury. To that end, they should meet or exceed current, recognized health and safety norms and be adequately tested, where applicable. Information provided with the product should include proper directions for use and full instructions covering assembly and safety warnings, whenever necessary.

Product Distribution Safety — Article #24: Products should be distributed only in a manner that will provide reasonable safeguards against possibilities of injury.

Product Availability — Article #25: Direct marketers should only offer merchandise when it is on hand or when there is a reasonable expectation of its receipt.

Direct marketers should not engage in dry testing unless the special nature of that offer is disclosed in the promotion.

Fulfillment

Unordered Merchandise — Article #26: Merchandise should not be shipped without having first received a customer's permission. The exceptions are samples or gifts clearly marked as such, and merchandise mailed by a charitable organization soliciting contributions, as long as all items are sent with a clear and conspicuous statement informing the recipient of an unqualified right to treat the product as a gift and to do with it as the recipient sees fit, at no cost or obligation to the recipient.

Shipments — Article #27: Direct marketers are reminded that they should abide by the FTC regulation regarding the prompt shipment of prepaid merchandise, the Mail Order Merchandise (30 Day) Rule.

Beyond this regulation, direct marketers are urged to ship all orders as soon as possible.

Credit and Debt Collection

Equal Credit Opportunity — Article #28: A creditor should not discriminate on the basis of race, color, religion, national origin, sex, marital status or age. If the individual is rejected for credit, the creditor should be prepared to give reasons why.

Debt Collection — Article #29: Unfair, misleading, deceptive or abusive methods should not be used for collecting money. The direct marketer should take reasonable steps to assure that those collecting on the direct marketer's behalf comply with this guidelines.

Use of Mailing Lists

List Rental Practices — Article #30: Every list owner who sells, exchanges, or rents lists should see to it that each individual on the list is informed of those practices, and should offer an option to have the individual's name deleted when rentals or purchases are made. The list owner should remove names from its lists when requested directly by the individual, and by use of the DMA Mail Preference Service name removal list.

List brokers and compilers should take reasonable steps to assure that the list owners follow these list practices.

Personal Information — Article #31: All list owners, brokers, managers, compilers, and users should be protective of the consumer's right to privacy and sensitive to the information collected on lists and subsequently considered for transfer, rental, sale, or exchange.

Information such as, but not limited to, medical, financial, insurance or court data, and data that may be considered to be personal and intimate in nature by all reasonable standards, should not be included on lists that are made available for transfer, rental, sale or exchange when there is a reasonable expectation by the consumer that the information would be kept confidential.

Mailing lists should not be transferred or used except for marketing purposes.

Any advertising or promotion for lists being offered for transfer, rental, sale or exchange should reflect a sensitivity for the individuals on those lists. Promotional methods and language that tend to portray or characterize those individuals in a disparaging way should be avoided.

List Usage Agreements — Article #32: List owners, brokers, compilers and users should make every attempt to establish the exact nature of the list's intended usage prior to the sale or rental of the list. Owners, brokers and compilers should not permit the sale or rental of their lists for an offer that is in violation of any of the Ethical Guidelines of DMA. Promotions should be directed to those segments of the public most likely to be interested in their causes or to have use for their products or services.

List Abuse — Article #33: No list or list data should be used in violation of the lawful rights of the list owner nor of the agreement between the parties; any such misuse should be brought to the attention of the lawful owner.

Telephone Marketing

(See Articles #9 and #27) Reasonable Hours — Article #34: All telephone contacts should be made during reasonable hours.

Disclosure and Tactics — Article #35: All telephone solicitations should disclose to the buyer during the conversation the cost of the merchandise, all terms, conditions and the payment plan and whether there will be postage and handling charges. At no time should "high pressure" tactics be utilized.

Use of Automatic Electronic Equipment — Article #36: No telephone marketer should solicit sales using automatic electronic dialing equipment unless the telephone immediately disconnects when the called person hangs up.

Taping of Conversation — Article #37: Taping of telephone conversations should not be conducted without all-party consent or the use of a beeping device.

Telephone Name Removal/Restricted Contacts — Article #38: Telephone marketers should remove the name of any contact from their telephone lists when requested to do so.

Telephone marketers should not call telephone subscribers who have unlisted or unpublished telephone numbers unless a prior relationship exists.

Fund Raising

(See Article #26) Commission Prohibition/ Authenticity of Organization — Article #39: Fund raisers should make no percentage or commission arrangements whereby any person or firm assisting or participating in a fund raising activity is paid a fee proportionate to the funds raised, nor should they solicit for nonfunctioning organizations.

Laws, Codes, and Regulations

Article #40: Direct marketers should operate in accordance with the Better Business Bureau's Code of Advertising and be cognizant of and adhere to laws and regulations of the United States Postal Service, the Federal Trade Commission, the Federal Reserve Board, and other applicable Federal, state and local laws governing advertising, marketing practices, and the transaction of business by mail, telephone, and the print and broadcast media.

2. Acceptance of Direct-Response Broadcast Advertising

This set of guidelines deals with DMA's desire to help stations maintain ethical practices in direct response advertising, and to promote more credibility in the eyes of the consumer, and, thereby, more business for radio and television stations and their advertisers. It does not attempt to deal with the legalities of advertising procedures.

We suggest that, if you make sure all commercials have been National Association of Broadcasters (NAB) code-approved before you air them, a good share of the problems will be solved, not only legalities but complaints.

There are basically two principal types of direct response complaints: 1) nondelivery of merchandise; 2) misrepresentation of offer.

The nondelivery of merchandise caused by an honest miscalculation of the success of an offer, a strike, a production mishap—can all be dealt with by simple procedures. These are **after-the-fact** problems, appearing **after** the commercial has been aired.

The complaints of a far worse nature deal with misrepresentation of advertised merchandise. These should be dealt with **before** the commercial is aired.

Helpful consumer advice

Stations and consumers should be aware of the number of weeks it takes for delivery of merchandise. Although some advertisers may believe it may serve as a sales deterrent, stations may wish to advise advertisers to include this information in the commercial. Other helpful advice to the consumer which might also be included is the following:

a) Print the name and address to which the order is to be shipped.

b) Be sure to include your ZIP code on your order, as well as the company's ZIP code on the envelope.

c) Send checks or money orders only, no cash.

Ask for a sample of the merchandise when the commercial is in the least bit suspicious. For example, if the offer seems "too good to be true," be sure to get a sample. This sample should be a regular **production** sample, not a handmade mock-up. If the advertiser cannot submit the sample before the commercial's air date, do not run it, but wait until the sample has been received. When you get the sample and you feel certain copy and/or visual changes should be made to make the commercial more representative, ask for them. You will be surprised how many advertisers will be glad to comply with your requests.

Procedures for checking

We realize you probably have procedures that are followed when checking advertisers' authenticity and credit, but we feel these two items are worth repeating in this set of guidelines in order that you can protect the customer.

a) Obtain information about the advertiser or principals behind the company if you have reason to doubt a firm's authenticity. Addresses, telephone numbers. as well as personal references, are useful. In many cities (such as New York), post office box numbers must be accompanied by a street address. Often merely requesting such information will deter unethical advertisers.

b) If the advertiser is new to your station, check to verify integrity, stability and performance of the advertiser. The Better Business Bureau, the local consumer agencies, and the post office in the advertiser's area are good sources to check. Better yet, when you have bad experiences, let these agencies know that as well.

Some suggestions

Here are some suggestions which we feel you might want to consider:

1) Insure that the advertising message is presented with courtesy and good taste. Disturbing or annoying material should be avoided. However, do not be afraid to ask for a revision in the commercial or a copy change if you feel the commercial has gone too far.
2) Experience trains your intuition. If an intuitive reaction tells you to check an offer out very thoroughly, do so. Do not let it slip by.
3) If the business was "too easy to get," or if a large time buy came in "over the transom," be suspicious.
4) Examine whether the commercial offers misleading descriptions or visual misrepresentations of any premiums, merchandise or gifts which would distort or enlarge their value in the minds of the consumers.
5) If the offer is vague, do not approve it. If you have read the copy through twice, and you still do not know what you are getting, ask the advertiser for a clarification of the copy. Do not accept an offer unless it is clearly spelled out.
6) Insure that on-screen play and/or the voice-over adequately specify the terms of the offer and the merchandise. Insure that on-screen crawls are readable. Be certain that they move slowly enough to be read by the average viewer. If the consumer obtains unsatisfactory treatment from the advertiser, he will blame you. Insure that both visual and audio claims support each other.
7) Make yourself the surrogate viewer or listener. Are the copy and/or pictures outlandish? Are the claims so strong as to be unbelievable?

After the commercial has appeared

1) Keep a tally of the complaints you may receive from a direct response commercial. If such complaints occur frequently, discuss them with the advertiser. Satisfy yourself of the veracity of the claims and that the advertiser is taking action on the problems.
2) Maintain a private and confidential file of problem advertisers. Consult it before airing a commercial. Check it when you begin dealing with a new advertiser.
3) Stand behind the sponsor and the product you have advertised. Remember that the consumer identifies you with the advertisement. Often, in a direct response commercial, the sponsor's name may not be prominent and may be overlooked by the viewer or the listener, or the name of the parent company may not even appear but rather may be disguised as the name of the offer. Consequently, the dissatisfied consumer will turn to you.
4) If you have a problem, send in a "dummy order." Pretend you are a consumer, and place an order. Test your advertiser's responsiveness.

3. Acceptance of Print Mail-Order Advertising

This set of guidelines does not attempt to deal with the legalities of advertising procedures, but rather the ethics. Nor does it deal with the do's-and-don'ts of technical copywriting. It does deal with DMA's desire to promote more honesty in mail-order advertising, more credibility in the eyes of the consumer, and, thereby, more business for publishers and their advertisers.

There are basically two types of complaints:

1) Nondelivery of merchandise
2) Misrepresentation of offer

The nondelivery of merchandise—caused by an honest miscalculation of the success of an offer, a strike, a production mishap—can all be dealt with by simple procedures. These are **after-the-fact** problems, or **after** the ad has appeared.

The complaints of a far worse nature deal with misrepresentation of advertised merchandise. These should be dealt with **before** the ad appears.

Helpful consumer advice

Publishers and consumers should be aware that it may take three or four weeks for normal delivery of merchandise. Although it may serve as a sales deterrent, publishers may wish to include this information on their mail order pages—along with other helpful advice such as:

a) Be sure to print your order clearly.

b) Print the name and address to which the order is to be shipped.

c) Be sure to include your ZIP code on your order, as well as the company's ZIP code on the envelope.

d) Send checks or money orders only, no cash.

Publishers should ask for a sample of the merchandise when the ad is in the least bit suspicious. For example, if the offer seems too good to be true, be sure to get a sample. A **production** sample, not a handmade mock-up. If the advertiser cannot submit the sample before the closing date, pass, and wait until the next closing date. When you get the sample and you feel certain copy changes should be made to make the offer more representative, ask for them. You'll be surprised how many advertisers are glad to comply with your requests.

Warning signals

If the advertiser is new to your publication and plans to run a large ad, check to verify integrity, stability and performance of the advertiser. The Better Business Bureau, the local consumer agencies, and the post office in the advertiser's area are good sources to check. Better yet when you have bad experiences, let these agencies know that as well.

1) Experience trains your intuition. If some intuitive reaction tells you to check an ad out very thoroughly, do so. Don't let it slip by.
2) If the business was "too easy to get," or if a large order came in "over the transom"—be suspicious. Check out the credit. Check out the offer. Check out the source.
3) When the "buy" isn't smart—wrong season, wrong regions,

wrong product for your publication—check it out. Some advertisers flood the market with impressive looking contracts, hoping some will get by.

4) When an advertiser breaks all the rules in setting up an ad, be suspicious. He may indeed be the new creative genius on the scene, but more often than not, something is awry.
5) If the offer is vague, don't approve it. If you have read the copy through twice, and you still don't know what you're getting, ask the advertiser for a clarification of the copy. Don't accept an offer unless it is spelled out.
6) Make yourself the surrogate reader. Is the copy outlandish? Are the claims so strong as to be unbelievable? Be particularly wary of ads that claim to cure physical ills such as arthritis, psoriasis, gout.
7) Taste is a subjective matter, and each publisher must decide what is in good or bad taste for his audience. However, don't be afraid to ask for a new illustration or a copy change if you feel the ad has gone too far. You will probably get it.
8) The publisher should know the street address and telephone number of every advertiser. In many cities (such as New York) post office box numbers must be accompanied by a street address. If the company is very small, know the home address and phone number of the principal.

Complaints: How to appraise them What to do with them

Keep a tally of the complaints you receive. It can be a simple sheet like a "scorecard" or a sophisticated computer printout week by week. However you do it, keep score.

When the number gets out of proportion to the size of the ad, the amount of circulation covered, give the first warning to the advertiser by phone. Note the date. If complaints persist, issue a second and third warning—preferably in writing. After such warnings, it is suggested that the publisher consider dropping this advertiser from the publication. Bear in mind that for each complaint you get, there are probably many more with similar unhappy experiences.

Establish a procedure for handling reader complaints.

Recommend policy

The publisher should stand behind his advertising pages if one of his advertisers defaults on shipment or defrauds his readers. If all attempts fail to obtain replacement of merchandise or refunds for the reader directly from the advertiser, the publisher should consider—in the interests of good business—refund to the reader himself. He should then continue to try to be reimbursed by the advertiser.

Keep the lines of communication open within your own organization. When complaints start mounting, advise your own credit department. Frequently, nondelivery problems go hand-in-hand with credit problems.

Reinstatement of an advertiser

Once you have resolved an old complaint situation, it is entirely possible this advertiser will want to come back into your publication. At the time you reinstate an advertiser who has had a bad complaint record, it is a good idea to require a "performance bond." This is an amount of money to be held in escrow (by the publisher) equal to at least two times the value of the complaints received the last time the ad ran. If the complaint situation repeats itself, you should then consider dropping the offending advertiser indefinitely.

4. Personal Information Protection

The Direct Marketing Association's Personal Information Protection Guidelines are intended to provide individuals and organizations involved in direct mail and direct marketing with principles of conduct that are generally accepted. These Guidelines reflected DMA's long-standing regard for personal privacy and the responsibility of direct marketers to the consumer—a relationship that must be based on fair and just principles.

These Guidelines are also a part of the DMA's general philosophy that self-regulatory measures are more desirable than governmental mandates whenever possible. Self-regulatory actions are more readily adaptable to changing techniques, economic and social conditions, and they encourage widespread use of sound and responsible business practices.

Because it is believed that a concern for everyone's privacy with respect to truly personal information is a basis for good business practices within direct response marketing, observance of these Guidelines by all concerned is recommended.

The Direct Marketing Association recognizes the need for businesses to protect the personal privacy of individuals and their need to provide safeguards for the proper handling of personal data contained in data files. DMA strongly believes that good business practices require respect for such expectations of the individual.

Accordingly, DMA recommends the following guidelines for the handling of personal data in data files.

For purposes of these guidelines, the following definitions apply:

Individual: A natural person identified in a file by name and address or other identifier.

Personal Data: Information which is linked to an individual on a file and which is not publicly available or observable and which it may reasonably be assumed the individual intends and expects will remain private.

Direct Marketing Purposes: The purposes of direct marketing are to promote, sell and deliver goods and services; to foster such efforts through the sale, rental, compilation or exchange of lists in accordance with the principles of these Guidelines; to delete and add individuals to lists, to provide all necessary customer services including the extension of credit where appropriate; to raise funds, to perform market research and to encourage recipients to respond by taking direct action.

Article 1: Personal data should be collected by fair and lawful means for a direct marketing purpose.

Article 2: Direct marketers should limit the collection of personal data to only those data which are deemed pertinent and necessary for a direct marketing purpose and should be only used accordingly.

Article 3: Personal data which are used for direct marketing purposes should be accurate, complete and should be kept up to date to the extent practicable by the direct marketer. Personal data should be retained no longer than is required for the purpose for which they are stored.

Article 4: An individual shall have the right to request whether personal data about him/her appear on a direct marketer's file and to receive a summary of the information within a reasonable time after the request is made. An individual has the right to challenge the accuracy of personal data relating to him/her. Personal data which are shown to be incorrect should be corrected.

Article 5: Personal data should be transferred between direct markets only for direct marketing purposes. Every list owner who sells, exchanges or rents lists containing personal data should see to it that each individual on the list is informed of those practices (Self Disclosure), and should offer an option to have the individual's name deleted. The list owner should remove names from his/her lists when requested directly in a signed writing by the individual, or by use of the DMA Mail Preference Service name removal list.

List brokers and compilers should take reasonable steps to have the list owner follow these list practices.

Personal data should not be put at the disposal of any third party except as set forth in these Guidelines, or with the express consent of the individual, unless required by law.

Article 6: All list owners, brokers and compilers should be protective of the individual's right to privacy and sensitive to the information collected on lists and subsequently considered for transfer.

Personal information supplied by individuals such as, but not limited to, medical, financial, insurance or court data should not be included on lists that are rented or exchanged when there is a reasonable expectation by the individual that the information would be kept confidential.

Article 7: Each direct marketer should be responsible for the security of personal data. Strict measures should be taken to assure against unauthorized access, alteration or dissemination of personal data. Employees who have access to personal data should agree in advance to use those data only in an authorized manner.

Article 8: Visitors to areas where personal data are processed and stored should be specifically authorized by express permission of the direct marketer and should be accompanied by at least one authorized employee of the direct marketer.

Article 9: If personal data are transferred from one direct market to another for a direct marketing purpose, measures should be taken by the transferor to arrange strict security measures to assure that unauthorized access to the data is not likely during transfer procedures. It is the responsibility of the direct marketer to whom the list is transferred to arrange strict security measures to insure no unauthorized access to the list during its return to the original owner.

Article 10: The Committee on Ethical Business Practices of DMA is charged with reviewing any complaints by individuals in violation of these Guidelines and shall take appropriate action.

5. Guidelines for Telephone Marketing

The Direct Marketing Association's Guidelines for Telephone Marketing Practices are intended to provide individuals and organizations involved in direct telephone marketing with principles of conduct which are generally accepted and consistent with the ethical guidelines recommended for other marketing media. These specific Guidelines reflect the responsibilities of DMA and telephone marketers to the consumer, the community, and the industry. Telephone Marketers should also be aware of the Direct Marketing Association's Guidelines for Ethical Business Practices, the basic, more comprehensive Guidelines for all of direct marketing.

The Guidelines are self-regulatory in nature. All telephone marketers are urged to observe them and not to treat their provisions as obstacles to be circumvented. These Guidelines are intended to be honored in spirit and in letter.

The Guidelines are also part of DMA's general philosophy that self-regulatory measures are preferable to governmental mandates whenever possible. Self-regulatory actions are more readily adaptable to changing techniques, economic conditions and social conditions. Further, self-regulation encourages widespread use of sound business practices.

Because it is believed that dishonest, misleading, immoral, salacious or offensive communications make enemies for all advertising and marketing, including direct telephone marketing, observance of these Guidelines by all concerned is recommended.

Special recognition should be given to the Telephone Marketing Council of DMA who worked with the Ethical Practices Section of the Public Affairs Department of DMA in writing and approving these Guidelines.

Prompt Disclosure — Article #1: All telephone marketing contacts should promptly disclose the name of the sponsor and the primary purpose(s) of the contact. No one should make offers or solicitations in the guise of research or a survey when the real intent is to sell products or services or to raise funds.

Honesty — Article #2: All offers should be clear, honest and complete so that the recipient of the call will know the exact nature of what is being offered and the commitment involved in the placing of an order. Before making an offer, direct marketers should be prepared to substantiate any claims or offers made. Advertisements or specific claims which are untrue, misleading, deceptive, fraudulent, or unjustly disparaging of competitors should not be used. All documents confirming the transactions should contain the means for the consumer to contact the telephone marketer.

Terms — Article #3: Prior to commitments by customers, all telephone marketers should disclose the cost of the merchandise or service, all terms, conditions, payment plans and the amount or existence of any extra charges such as shipping and handling.

Reasonable Hours — Article #4: Telephone marketers should avoid making contacts during hours which are unreasonable to the recipients of the calls.

Use of Automatic Equipment — Article #5: No telephone marketer should solicit sales using automatic dialing equipment unless the telephone immediately releases the line when the called party disconnects.

Telephone marketers should avoid using such devices as automatic dialers and pre-recorded messages when in violation of tariffs, state or local laws, or these Guidelines.

Taping of Conversations — Article #6: Taping of telephone conversations should be conducted only with all-party consent or the use of a beeping device.

Name Removal — Article #7: Telephone marketers should remove the name of any contact from their telephone lists when requested to do so.

When possible, telephone marketers should offer to remove consumers' names from lists that are offered to other telephone marketers.

Minors — Article #8: Because minors are generally less experienced in their rights as consumers, telephone marketers should be especially sensitive to the obligations and responsibilities involved when dealing with them.

Prompt Delivery — Article #9: Telephone marketers should abide by the FTC's Mail Order Merchandise (30 Day) Rule when shipping prepaid merchandise.

As a normal business procedure, telephone marketers are urged to ship all orders as soon as practical.

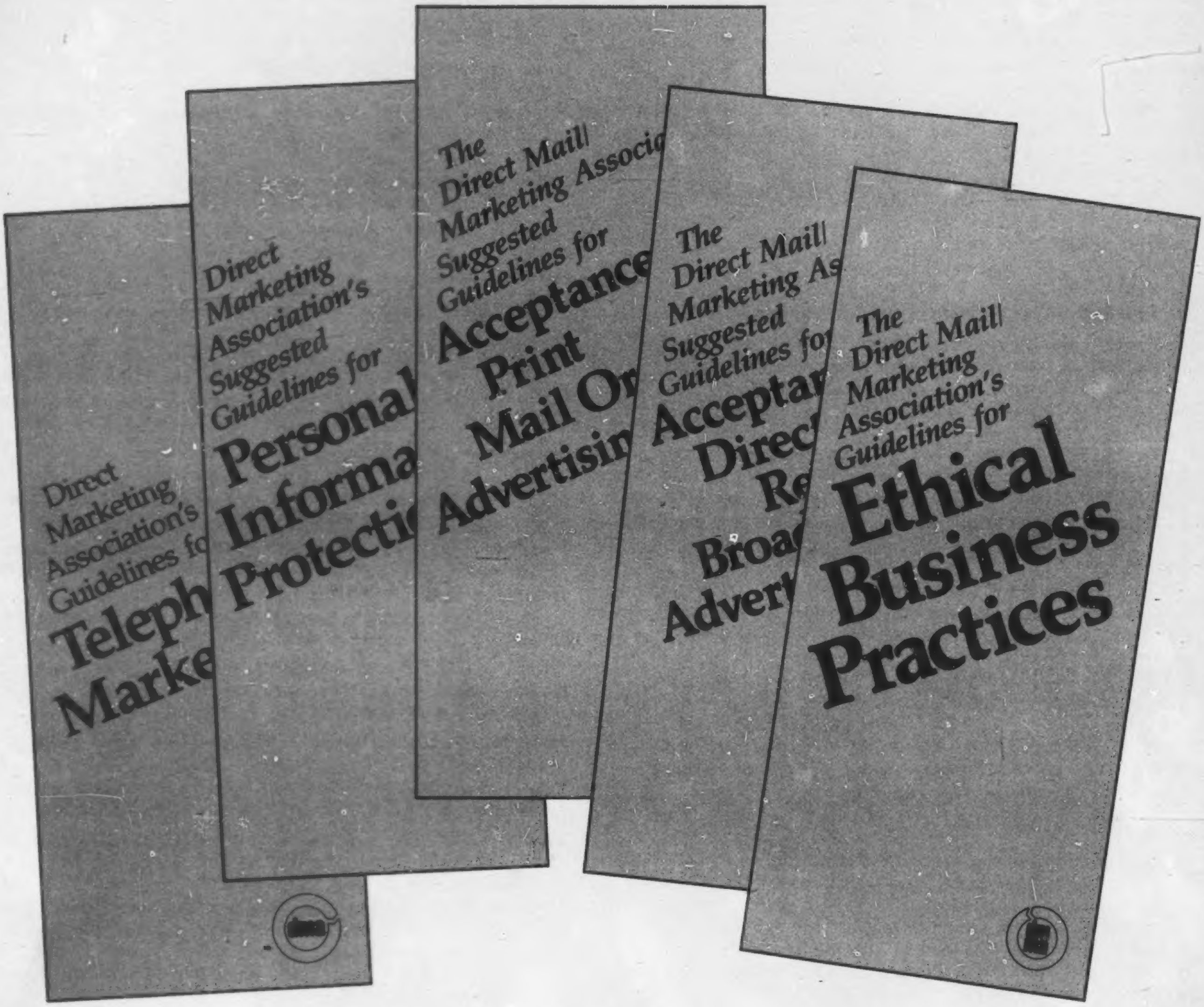
Cooling-Off Period — Article #10: Telephone marketers should honor cancellation requests which originate within three days of sales agreements.

Restricted Contacts — Article #11: Telephone marketers should avoid calling telephone subscribers who have unlisted or unpublished telephone numbers unless a prior relationship exists.

Laws, Codes and Regulations — Article #12: Telephone marketers should operate in accordance with the laws and regulations of the United States Postal Service, the Federal Communications Commission, the Federal Trade Commission, the Federal Reserve Board and other applicable Federal, state and local laws governing advertising, marketing practices and the transaction of business by mail, telephone, and the print and broadcast media.

Members and the Ethics Department

DMA members are invited to contact the Ethics Department should they have questions relating to ethical business practices, or if they receive questionable mailings or offerings which could damage the overall image of direct marketing. All members are urged to take on the additional role of the monitoring of our marketing area. All of direct marketing is improved when members help in curtailing questionable or offensive mailings or offerings.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The Direct Mail/ Marketing Association's Guidelines for
Ethical
Business
Practices

Appendix IV

U.S. Direct Marketing Clubs and Contacts

ARIZONA

Phoenix
Mr. Robert B. Hanford
President
PHOENIX DIRECT MARKETING CLUB
c/o Southwest Direct Marketing Ltd.
1638 E. Candlestick Drive
Tempe, AZ 85283
602/839-9911

CALIFORNIA

Los Angeles
Mr. Howard Oberstein
President
DIRECT MARKETING CLUB OF SOUTHERN CALIFORNIA
c/o Minute Man Mailers, Inc.
510 E. Commercial Street
Los Angeles, CA 90012
213/624-0761

San Diego
Mr. James R. Rosenfield
President
SAN DIEGO DIRECT MARKETING CLUB
c/o Buchanan, Vinson
1335 Hotel Circle South
San Diego, CA 92108
619/293-3940

San Francisco
Mr. Ray Gillie
Chairman, Direct Mail Dept.
SAN FRANCISCO ADVERTISING CLUB
c/o Transo Envelope Company
1600 64th Street
P.O. Box 8365
Emeryville, CA 94608
415/654-7851

SAN FRANCISCO AD CLUB
Paula Byrens
Executive Director
681 Market Street — Room 898
San Francisco, CA 94105

COLORADO

Denver
Mr. John McKenzie
President
ROCKY MOUNTAIN DIRECT MARKETING CLUB
c/o Marketing Communications
2369 S. Trenton Way M.
Denver, CO 80321
303/751-0433

DISTRICT OF COLUMBIA

Washington
Ms. Patricia Hinkley
President
DIRECT MARKETING ASSOCIATION OF WASHINGTON
c/o National Right to Work Foundation
8001 Braddock Road — Suite 600
Springfield, VA 22160
703/321-8510

Ms. Avril Howells
President
WOMEN'S DIRECT RESPONSE GROUP
c/o Cambridge Scientific Abstract
5161 River Road
Bethesda, MD 20816
301/951-1403

FLORIDA

Ft. Lauderdale
Mr. Alan W. Birch
President
FLORIDA ASSOCIATION OF DIRECT MARKETING
c/o Stuffit Co., Inc.
12450 Automobile Drive
Clearwater, FL 33520
813/576-7883

GEORGIA

Atlanta
Ms. Beverly Crawford
President
DIRECT MAIL/MARKETING CLUB OF ATLANTA
c/o AT&T
1950 West Exchange Place
Tucker, GA 30084
404/496-3130

ILLINOIS

Chicago
Mr. Philip R. May
President
CHICAGO ASSOCIATION OF DIRECT MARKETING
c/o Cramer-Krasselt/Direct
333 North Michigan Avenue
Chicago, IL 60601
312/977-9600

Natalie Holmes
Executive Secretary
CADM
221 North LaSalle Street
Chicago, IL 60601
312/346-1600

Ms. Paula Wesley
President
WOMEN'S DIRECT RESPONSE GROUP
c/o Wesley Lists
3227 N. Frontage Road — Suite 2703
Arlington Heights, IL 60004
312/392-1077

INDIANA

Indianapolis
Mr. Tom Haynes
President
DIRECT MARKETING ASSOCIATION OF INDIANAPOLIS
c/o Response Communications
9245 N. Meridian
Indianapolis, IN 46260
317/846-1286

KENTUCKY

Louisville
Ms. Lucy Levis
President
LOUISVILLE DIRECT MAIL/MARKETING ASSOCIATION
1821 Spring Drive
Louisville, KY 40205
502/459-0635

MASSACHUSETTS

Boston
Mr. Vin Tynan
President
NEW ENGLAND DIRECT MARKETING ASSOCIATION
c/o Small Business Service Bureau
P.O. Box 1441
Worcester, MA 01601
617/756-3513

MICHIGAN

Detroit
Mr. Russell Smith
President
DIRECT MARKETING ASSOCIATION OF DETROIT
c/o The Dy-Dee Service
8106 Fullerton
Detroit, MI 48238
313/933-2026

MINNESOTA

St. Paul
Mr. Steve Venarchick
President
MIDWEST DIRECT MARKETING ASSOCIATION
c/o The Webb Company
1999 Shepard Road
St. Paul, MN 55116
612/690-7200

MISSOURI

Kansas City
Mr. John E. Schmid
President
KANSAS CITY DIRECT MARKETING CLUB
c/o J. Schmid & Associates
3209 W. 68th Street
Shawnee Mission, KS 66208
913/236-6669

St. Louis
Mr. Ralph Barber
President
DIRECT MARKETING CLUB OF ST. LOUIS
c/o Creative Office Systems
1601 Washington Avenue
St. Louis, MO 63103
314/436-2800

NEBRASKA

Omaha
Mr. Dan Goodkind
President
MID-AMERICA DIRECT MARKETING ASSOCIATION
c/o A-1 Direct Mail Service, Inc.
9101 "F" Street
Omaha, NE 68127
402/339-5100

NEW YORK

Hudson Valley
Mr. Arthur Winston
President
HUDSON VALLEY DIRECT MARKETING CLUB
c/o Winston & Sherman
18 East 42nd Street
New York, NY 10017
212/532-2700

Long Island
Mr. Asher B. Abelow
President
LONG ISLAND DIRECT MARKETING ASSOCIATION
c/o Abelow Response, Inc.
430 West Merrick Road
Valley Stream, NY 11580
516/825-0013

New York City
Mr. Jerry I. Reitman
President
DIRECT MARKETING CLUB OF NEW YORK
c/o Scali, McCabe, Sloves Direct Response
800 Third Avenue
New York, NY 10022
212/421-2050

Ms. Sheila Rees Foster
President
WOMEN'S DIRECT RESPONSE GROUP
c/o Ed Burnett Consultants, Inc.
2 Park Avenue — 2nd Floor
New York, NY 10016
212/679-0630

Mr. Michael Fabian
President
DIRECT MARKETING CREATIVE GUILD
c/o March Direct Marketing
485 Madison Avenue
New York, NY 10017
212/286-0460

Mr. Douglas Florenzie
President
FULFILLMENT MANAGEMENT ASSOCIATION
c/o *New York* Magazine
25 West 43rd Street
New York, NY 10036

Ms. Andrea Hall
President
DIRECT MARKETING MINORITY OPPORTUNITIES
c/o RCA Records
1133 Avenue of the Americas — 6th Floor
New York, NY 10036
212/930-4166

OHIO

Cincinnati
Mr.Henry Dorfman
President
OHIO VALLEY DIRECT MARKETING CLUB
c/o Vortec Corporation
10124 Carver Road
Cincinnati, OH 45242
513/891-7474

NORTHEAST OHIO

Cleveland
Mr. Robert Silverman
President
OHIO DIRECT MAIL/MARKETING ASSOCIATION
c/o Robert Silverman, Inc.
1375 Euclid Avenue
Cleveland, OH 44115
216/771-6332

Michael Winn
Office Liaison
c/o ODMMA
6151 Wilson Mills Road
Cleveland, OH 44115
216/473-2100

OKLAHOMA

Tulsa
Mr. Mike Goldberg
President
DIRECT MARKETING ASSOCIATION OF TULSA
c/o Kraftville
Box 800
Tulsa, OK 74101
800/331-7290

OREGON

Portland
Mr. David Jacques
President
PACIFIC NORTHWEST DIRECT MARKETING CLUB
c/o Portland Mailing Services
1438 NW Hoyt
Portland, OR 97209
503/221-0707

PENNSYLVANIA

Philadelphia
Mr. John Dubeck
President
PHILADELPHIA DIRECT MARKETING ASSOCIATION
c/o Modern Marketing, Inc.
315 Westminster, PA 18974
215/443-9600

TEXAS

Dallas/Ft. Worth
Mr. Dana Heter
President
DIRECT MARKETING ASSOCIATION OF NORTH TEXAS
c/o Epsilon Data Management
13628 Beta Drive
Dallas, TX 75234
214/392-2717

Houston
Mr. Robert L. Drucker
President
HOUSTON DIRECT MARKETING CLUB
c/o Fidelity Printing Company
1801 Walker Avenue
P.O. Box 2622
Houston, TX 77001
713/652-2100

Appendix V

The DMA 1983 International ECHO Award Competition Winners

Each year the Direct Marketing Association, Inc. invites direct marketers to participate in the internationally recognized ECHO Awards Competition. From hundreds of campaigns submitted, a distinguished Board of Review and Board of Judges award the Gold, Silver and Bronze ECHO Awards for the year's most successful efforts in the industry.

Now in its 55th year, the Competition has become a vital and far-reaching DMA activity, helping to inspire users, producers and suppliers alike to make direct marketing more effective. Originally conceived as "The Best of Direct Mail," the competition has been expanded to reflect the growing horizons of today's multimedia, results-oriented direct marketing.

The Competition is designed to recognize companies, agencies and individuals who have conceived, produced or used programs which have been exceptionally successful in achieving sales, marketing, fundraising or promotional goals—including those efforts which advance the state of the art. Today's ECHO awards reflect achievement in all these areas.

However, to keep alive the recognition that direct mail deserves as a vital and effective medium of direct marketing, the very special Gold Mailbox Award is presented for the most innovative use of direct mail.

The Henry Hoke Award is given by Hoke Communications for the campaign they feel reflects the most courageous solution to a difficult sales problem.

DMA has defined Direct Marketing as an interactive system of marketing which uses one or more advertising media to effect a measurable response and/or transaction at any location.

It is our hope that, through examining the successful direct marketing campaigns submitted to the competition each year (as they travel around the world in the DMA Traveling Exhibits or in the DMA Loan Library), direct marketers may find education and assistance in future promotional activities.

1983 International Direct Marketing ECHO Award Winners

Sponsored by the industry's largest direct marketing association Direct Marketing Association, Inc.

Order Generation — Consumer

GOLD ECHO AWARD	AGENCY
Mass Marketing Systems International Agoura, CA	**In-House**
SILVER ECHO AWARD	**AGENCY**
National Geographic Society (Journey Into China) Washington, D.C.	**In-House**
BRONZE ECHO AWARD	**AGENCY**
Time Inc. New York, NY	**Ally & Gargano** New York, NY

Order Generation — Consumer Catalog

GOLD ECHO AWARD	AGENCY
The Popcorn Factory Lake Forest, IL	**Herbert Krug & Associates, Inc.** Evanston, IL
SILVER ECHO AWARD	**AGENCY**
Eddie Bauer Co. Redmond, WA	**In-House**

Order Generation — Consumer Catalog (cont.)

BRONZE ECHO AWARD	AGENCY
Community Coffee Co. Baton Rouge, LA and	**Pluzynski & Associates, Inc.** New York, NY
Spiegel, Inc. Oak Brook, IL	**Julie Struhar/Graphic Design** Palatine, IL

Order Generation — Business/Industrial

GOLD ECHO AWARD	AGENCY
Xerox Corporation **Business Products Division** Rochester, NY	**MARCOA** **Direct Advertising, Inc.** Chicago, IL

SILVER ECHO AWARD	AGENCY
Moore Business Forms Wheeling, IL	**Stone & Adler, Inc.** Chicago, IL

BRONZE ECHO AWARD	AGENCY
General Electric **Medium Voltage** **Switch Gear** **Business Section** Burlington, IA and	**General Electric** **Corporate Marketing** **Communications Operation** Albany, NY
United States Steel **Corporation** Pittsburgh, PA	**Gray Baumgarten** **Layport, Inc.** Pittsburgh, PA

Lead/Inquiry-Getting — Consumer

GOLD ECHO AWARD	AGENCY
Merrill Lynch New York, NY	**Wunderman, Ricotta & Kline** New York, NY

SILVER ECHO AWARD	AGENCY
Barnett Banks **of Florida, Inc.** Jacksonville, FL	**Yeck Brothers Company** Dayton, OH

BRONZE ECHO AWARD	AGENCY
Texas Tourist **Development Agency** Austin, TX	**Neal Speice Communications** Austin, TX

Lead/Inquiry-Getting — Business/Industrial

GOLD ECHO AWARD	AGENCY
Associates & Larranaga Minnetonka, MN	**In-House**

SILVER ECHO AWARD	AGENCY
Harris Graphics Corporation **Commercial Press Division** Dallas, TX	**Yeck Brothers Company** Dayton, OH

BRONZE ECHO AWARD	AGENCY
Weyerhaeuser Company, **Paper Division** Plymouth Meeting, PA	**Gray & Rogers, Inc.** Philadelphia, PA

Traffic Building — Retail

GOLD ECHO AWARD	AGENCY
Edgars Stores Johannesburg, South Africa	**Ogilvy & Mather Direct** Johannesburg, South Africa

SILVER ECHO AWARD	AGENCY
Royal Viking Line San Francisco, CA	**Joseph A. Krueger &** **Associates, Inc.** San Rafael, CA

BRONZE ECHO AWARD	AGENCY
Stauffer Chemical Company Westport, CT	**Stone & Adler, Inc.** New York, NY

Traffic Building — Non-Retail

GOLD ECHO AWARD	AGENCY
Pan American World **Airways, Inc.** New York, NY	**Epsilon** Burlington, MA **Wells, Rich, Greene** New York, NY **Wunderman, Ricotta & Kline** New York, NY

SILVER ECHO AWARD	AGENCY
Ogden Leisure East Boston, MA	**Hub Advertising** Boston, MA

BRONZE ECHO AWARD	AGENCY
Brookfield Zoo Brookfield, IL	**Kobs & Brady Advertising, Inc.** Chicago, IL

Fundraising

GOLD ECHO AWARD	AGENCY
Direct Marketing **Educational Foundation** New York, NY	**Stone & Adler, Inc.** Chicago, IL

SILVER ECHO AWARD	AGENCY
Save the Children **Federation** Westport, CT	**Rapp & Collins, Inc.** New York, NY

BRONZE ECHO AWARD	AGENCY
Alton Ochsner Medical **Foundation** New Orleans, LA	**Endata, Inc.** Nashville, TN

Promotional Direct Mail

GOLD ECHO AWARD	AGENCY
Chuck E. Cheeses **Pizza Time Theatre, Inc.** Sunnyvale, CA	**In-House**

SILVER ECHO AWARD	AGENCY
United Services **Automobile Association** (USAA) San Antonio, TX	**Warren Reed & Friends, Inc.** San Antonio, TX

Promotional Direct Mail (cont.)

BRONZE ECHO AWARD	AGENCY
IBM Netherlands N.V. Amsterdam, Holland	**Visser 't Hooft Advertising** Amsterdam, Holland

Gold Mailbox Award

For the most innovative use of direct mail

	AGENCY
Associates & Larranaga Minnetonka, MN	**In-House**

Henry Hoke Award

For the most courageous solution to a difficult sales problem

	AGENCY
IBM Canada Ltd Don Mills, Ontario	**In-House**

Fund Raising Management Magazine Award

Given to a non-profit organization which has employed a courageous solution to a difficult fundraising problem

	AGENCY
The Children's Museum of Denver Denver, CO	**In-House**

Direct Marketing Leaders

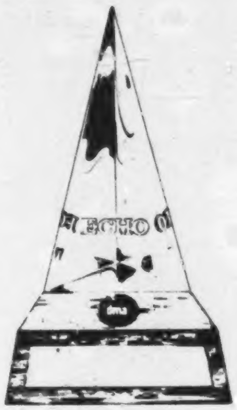
ADVERTISER	AGENCY
Abbott Laboratories Chicago, IL	**In-House**
Allstate Insurance Company Northbrook, IL	**Stone & Adler, Inc.** Chicago, IL
Ambassador Publishing Services Pasadena, CA	**In-House**
American Bell Inc. Parsippiny, NJ	**Wunderman, Ricotta & Kline** New York, NY
BASF Systems Corporation Bedford, MA	**Hub Mail, Advertising** Boston, MA
C.A.C.I., Inc. New York, NY	**In-House**
Chemical Bank New York, NY	**DeMartino/Schultz, Inc.** New York, NY
The Children's Museum of Denver Denver, CO	**In-House**
Conde Nast Publications, Inc. New York, NY	**Rapp & Collins, Inc.** New York, NY
Consumers Union Foundation, Inc. Mount Vernon, NY	**Campaign Communications Institute of America** New York, NY
Conway Communications Exchange, Inc. Conway, AR	**In-House**
CP Air Vancouver, B.C. Canada	**Direct Mail Flyer People Ltd.** Vancouver, B.C. Canada
Culligan USA Northbrook, IL	**Cramer-Krasselt/Direct** Chicago, IL

Direct Marketing Leaders (cont.)

ADVERTISER	AGENCY
DHL International Express Ltd. Richmond, B.C. Canada	**Creative House For Ted Bates Advertising Inc.** Toronto, Ont. Canada
Digital Equipment Corporation Hudson, MA	**Hub Mail Advertising** Boston, MA
Dow Jones & Company, Inc. Princeton, NJ	**In-House**
Emery Worldwide Wilton, CT	**Epsilon** Burlington, MA
Erisa Benefit Funds, Inc. Washington, DC	**Ahrend Associates, Inc.** New York, NY
G.D. Searle & Company Skokie, IL	**Heineck & Rosen** Red Bank, NJ
General Electric Lighting Group Cleveland, OH	**Smiley/Hanchulak** Akron, OH
Helene Curtis Industries Chicago, IL	**Kobs & Brady Advertising, Inc.** Chicago, IL
IBM Canada Ltd. Don Mills, Ont. Canada	**In-House**
Inc. Publishing Company Boston, MA	**Grey Direct** New York, NY
Manufacturers Hanover Trust New York, NY	**Wunderman, Ricotta & Kline, Inc.** New York, NY
Mizel Development Corporation Denver, CO	**Krupp-Taylor** Aurora, CO
Meredith Corporation Better Homes and Gardens Books New York, NY	**The Frank Vos Company, Inc.** New York, NY
Metromail Corporation Lincoln, NE	**Ayres and Associates, Inc.** Lincoln, NE
Pacific Northwest Bell Seattle, WA	**Kobs & Brady Advertising, Inc.** Chicago, IL
Pfaelzer Brothers (Pfaelzer 1982 Christmas Catalog) Chicago, IL	**Cramer-Krasselt/Direct** Chicago, IL
Pfaelzer Brothers (Pfaelzer Brothers Incentive Lead Generation) Chicago, IL	**Cramer-Krasselt/Direct** Chicago, IL
The Princeton Tiger Magazine Princeton, NJ	**In-House**
Rockingham/Jutkins Marketing El Segundo, CA	**In-House**
Saks Fifth Avenue New York, NY	**In-House**
Security Pacific National Bank Los Angeles, CA	**Young & Rubicam Direct Marketing Group** Los Angeles, CA
Southern Coalition on Jails and Prisons Nashville, TN	**Gallagher & Associates, Inc.** Alexandria, VA
Stauffer Chemical Company (Sutan+/Dyfonate Mailing) Westport, CT	**Stone & Adler, Inc.** New York, NY
Stauffer Chemical Company (Eradicane Extra Fall Mailing) Westport, CT	**Stone & Adler, Inc.** New York, NY

Direct Marketing Leaders (cont.)

ADVERTISER	AGENCY
Structural Graphics, Inc. Essex, CT	**In-House**
Time-Life Books (Enchanted World Test) London, England	**In-House**
Time-Life Books (Planet Earth) Alexandria, VA	**In-House**
USA Today New York, NY	**In-House**
U.S. Navy Recruiting Command Arlington, VA	**Kobs & Brady Advertising, Inc.** New York, NY
Wisconsin Telephone Milwaukee, WI	**Cramer-Krasselt/Direct** Chicago, IL
Xerox Corporation Rochester, NY	**MARCOA Direct Advertising, Inc.** Chicago, IL



Appendix VI

Glossary

by Richard Hodgson
Sargeant House

Access Time: The time it takes a computer to locate a piece of information in memory or storage and to take action, i.e., the "read" time. Also, the time it takes a computer to store a piece of information and to complete action, i.e., the "write" time.

Action Devices: Items and techniques used in a mailing to initiate the response desired.

Active Buyer: A buyer whose latest purchase was made within the last twelve months. (*See Buyer*).

Active Customer: A term used interchangeably with "active buyer."

Active Member: Any member who is fulfilling the original commitment or who has fulfilled that commitment and has made one or more purchases in the last twelve months.

Active Subscriber: One who has committed for regular delivery of magazines, books or other goods or services for a period of time still in effect.

Actives: Customers on a list who have made purchases within a prescribed time period, usually not more than one year; subscribers whose subscriptions have not expired.

Additions: New names, either of individuals or companies, added to a mailing list.

Address Coding Guide (CG): Contains the actual or potential beginning and ending house numbers, block group and/or enumeration district numbers, ZIP Codes, and other geographic codes for all city delivery service streets served by 3,154 post offices located within 6,601 ZIP Codes.

Address Correction Requested: An endorsement which, when printed in the upper left-hand corner of the address portion of the mailing piece (below the return address), authorizes the U.S. Postal Service, for a fee, to provide the known new address of a person no longer at the address on the mailing piece.

A.I.D.A.: The most popular formula for the preparation of direct mail copy. The letters stand for Get Attention, Arouse Interest, Stimulate Desire, Ask for Action.

Alphanumeric: A contraction of "alphabetic" and "numeric." Applies to any coding system that provides for letters, numbers (digits), and special symbols such as punctuation marks. Synonymous with Alphameric.

Assigned Mailing Dates: The dates on which the list user has the obligation to mail a specific list. No other date is acceptable without specific approval of the list owner.

Audience: The total number of individuals reached by a promotion or advertisement.

Audit: Printed report of the counts involved in a particular list or file.

Back End: The activities necessary to complete a mail order transaction once an order has been received and/or the measurement of a buyer's performance after he has ordered the first item in a series offering.

Bangtail: Promotional envelope with a second flap which is perforated and designed for use as an order blank.

Batch Processing: Technique of executing a set of computer programs/selections in batches as opposed to executing each order/selection as it is received. Batches can be created by computer programming or a manual collection of data into groups.

Batched Job: A job that is grouped with other jobs as input to a computing system, as opposed to a transaction job entry where the job is done singly to completion.

Bill Enclosure: Any promotional piece or notice enclosed with a bill, an invoice or a statement not directed toward the collection of all or part of the bill, invoice or statement.

Binary: Involves a selection, choice or condition in which there are two possibilities such as the use of the symbols "0" and "1" in a numbering system.

Bingo Card: A reply card inserted in a publication and used by readers to request literature and samples from companies whose products and services are either advertised or mentioned in editorial columns.

Bit: A single character or elements in a binary number (digit). The smallest element of binary machine language represented by a magnetized spot on a recording surface or a magnetized element of a storage device.

Bounce Back: An offer enclosed with mailings sent to a customer in fulfillment of an order.

BPI (Bytes Per Inch): Characters, represented in bytes, per inch.

Broadcast Media: A direct response source that includes radio, television and cable TV.

Broadside: A single sheet of paper, printed on one side or two, folded for mailing or direct distribution, and opening into a single, large advertisement.

Brochure: Strictly, a high-quality pamphlet, with especially planned layout, typography and illustrations. Term is also used loosely for any promotional pamphlet or booklet.

Bucktag: A separate slip attached to a printed piece containing instructions to route the material to specific individuals.

Bulk Mail: A category of Third Class Mail involving a large quantity of identical pieces but addressed to different names which are specially processed for mailing before delivery to the post office.

Business List: Any compilation or list of individuals or companies based upon a business-associated interest, inquiry, membership, subscription or purchase.

Buyer: One who orders merchandise, books, records, information or services. Unless another modifying word or two is used, it is assumed that a buyer has paid for all merchandise to date.

Burst: To separate continuous form paper into discrete sheets.

Byte: Sequence of adjacent binary digits operated upon as a unit and usually shorter than a computer word. A character is usually considered a byte. (A single byte can contain either two numeric characters or one alphabetic or special character.)

Cash Buyer: A buyer who encloses payment with order.

Cash Rider: Also called "cash up" or "cash option" wherein an order form offers installment terms, but a postscript offers the option of sending full cash payment with order, usually at some saving over the credit price as an incentive.

C/A: Change of address.

Catalog: A book or booklet showing merchandise, with descriptive details and prices.

Catalog Buyer: A person who has bought products or services from a catalog.

Catalog Request (Paid or Unpaid): One who sends for a catalog (prospective buyer). The catalog may be free; there may be a nominal charge for postage and handling, or there may be a more substantial charge that is often refunded or credited on the first order.

Census Tract: Small geographical area established by local committees, and approved by the Census Bureau, which contains a population segment with relatively uniform economic and social characteristics with clearly identifiable boundaries averaging approximately 1,200 households.

Cheshire Label: Specially prepared paper (rolls, fanfold or accordion fold) used to reproduce names and addresses to be mechanically affixed, one at a time, to a mailing piece.

Circulars: General term for printed advertising in any form, including printed matter sent out by direct mail.

Cleaning: The process of correcting and/or removing a name and address from a mailing list because it is no longer correct or because the listing is to be shifted from one category to another.

Cluster Selection: A selection routine based upon taking a group of names in series, skipping a group, taking another group, etc. E.g.—a cluster selection on an nth name basis might be the first 10 out of every 100 or the first 125 out of 175, etc.; a cluster selection using limited ZIP Codes might be the first 200 names in each of the specified ZIP Codes, etc.

Coding: (1) Identifying devices used on reply devices to identify the mailing list or other source from which the address was obtained. (2) A structure of letters and numbers used to classify characteristics of an address on a list.

Collate: (1) To assemble individual elements of a mailing in sequence for inserting into a mailing envelope. (2) A program which combines two or more ordered files to produce a single ordered file. Also the act of combining such files. Synonymous with merge as in Merge-Purge.

Commission: A percentage of sale, by prior agreement, paid to the list broker, list manager, or other service arm for their part in the list usage.

Compile: The process by which a computer translates a series of instructions written in a programming language into actual machine language.

Compiled List: Names and addresses derived from directories, newspapers, public records, retail sales slips, trade show registrations, etc., to identify groups of people with something in common.

Compiler: Organization which develops lists of names and addresses from directories, newspapers, public records, registrations and other sources, identifying groups of people, companies or institutions with something in common.

Completed Cancel: One who has completed a specific commitment to buy products or services before cancelling.

Comprehensive: Complete and detailed layout for a printed piece. Also: "Comp," "Compre."

Computer: Data processor that can perform substantial computation, without intervention by a human.

Computer Compatibility: Ability to interchange the data or programs of one computer system with one or more other computers.

Computer Letter: Computer-printed message providing personalized, fill-in information from a source file in pre-designated positions. May also be full-printed letter with personalized insertions.

Computer Personalization: Printing of letters or other promotional pieces by a computer using names, addresses, special phrases, or other information based on data appearing in one or more computer records. The objective is to use the information in the computer record to tailor the promotional message to a specific individual.

Computer Program: Series of instructions or statements prepared to achieve a certain result.

Computer Record: All of the information about an individual, company, or transaction stored on a specific magnetic tape or disc.

Computer Service Bureau: An internal or external facility providing general or specific data processing services.

Consumer List: A list of names (usually at home address) compiled, or resulting, from a common inquiry or buying activity indicating a general or specific buying interest.

Continuity Program: Products or services bought as a series of small purchases, rather than all at one time. Generally based on a common theme and shipped at regular or specific time intervals.

C.T.O.: Contribution to overhead (profit).

Contributor List: Names and addresses of persons who have given to a specific fund raising effort. (*See Donor List*).

Controlled Circulation: Distribution at no charge of a publication to individuals or companies on the basis of their titles or occupations. Typically, recipients are asked from time to time to verify the information that qualifies them to receive the publication.

Controlled Duplication: A method by which names and addresses from two or more lists are matched (usually by computer) in order to eliminate or limit extra mailings to the same name and address.

Continuous Form: Paper forms designed for computer printing that are folded, and sometimes perforated, at predetermined vertical measurements. These may be letters, vouchers, invoices, cards, etc.

Conversion: (1) Process of changing from one method of data processing to another, or from one data processing system to another. Synonomous with Reformatting. (2) To secure specific action such as a purchase or contribution from a name on a mailing list or as a result of an inquiry.

Co-op Mailing: A mailing of two or more offers included in the same envelope or other carrier, with each participating mailer sharing mailing costs according to some predetermined formula.

C.P.I. (Cost Per Inquiry): A simple arithmetical formula derived by dividing the total cost of a mailing or an advertisement by the number of inquiries received.

C.P.O. (Cost Per Order): Similar to Cost Per Inquiry except based on actual orders rather than inquiries.

C.P.M. (Cost Per Thousand): Refers to total cost-per-thousand pieces of direct mail "in the mail."

Coupon: Part of an advertising promotion piece intended to be filled in by the inquirer or customer and returned to the advertiser.

Coupon Clipper: One who has given evidence of responding to free or nominal-cost offers out of curiosity, with little or no serious interest or buying intent.

Deadbeat: One who has ordered a product or service and, without just cause, hasn't paid for it.

Decoy: A unique name especially inserted in a mailing list for verifying list usage.

Delinquent: One who has fallen behind or has stopped scheduled payment for a product or service.

Delivery Date: The date a list user or a designated representative of the list user receives a specific list order from the list owner.

Demographics: Socio-economic characteristics pertaining to a geographic unit (county, city, sectional center, ZIP Code, group of households, education, ethnicity, income level, etc.).

Direct Mail Advertising: Any promotional effort using the Postal Service, or other direct delivery service, for distribution of the advertising message.

Direct Response Advertising: Advertising, through any medium, designed to generate a response by any means (such as mail, telephone, or telegraph) that is measurable.

Donor List: A list of persons who have given money to one or more charitable organizations. (*See Contributor List*)

Doubling Day: A point in time established by previous experience when 50% of all returns to a mailing will normally be received.

Dummy: (1) A mock-up giving a preview of a printed piece, showing placement and nature of the material to be printed. (2) A fictitious name with a mailable address inserted into a mailing list to check on usage of that list.

Dupe (Duplication): Appearance of identical or nearly identical entities more than once.

Duplication Elimination: A specific kind of controlled duplication which provides that: no matter how many times a name and address is on a list, and how many lists contain that name and address, it will be accepted for mailing only once by that mailer. Also referred to as "dupe elimination."

Editing Rules: Specific rules used in preparing name and address records that treat all elements the same way at all times. Also, the rules for rearranging, deleting, selecting, or inserting any needed data, symbols and/or characters.

Envelope Stuffer: Any advertising or promotional material enclosed in an envelope with business letters, statements or invoices.

Exchange: An arrangement whereby two mailers exchange equal quantities of mailing list names.

Expire: A former customer who is no longer an active buyer.

Expiration: A subscription which is not renewed.

Expiration Date: Date a subscription expires.

Field: Reserved area in a computer which services a similar function in all records of the file. Also, location on magnetic tape or disc drive which has definable limitations and meaning: e.g., Position 1-30 is the Name Field.

File Maintenance: The activity of keeping a file up-to-date by adding, changing, or deleting data (all or part). Synonymous with List Maintenance. (*See Update*)

Fill-In: A name, address or other words added to a preprinted letter.

First-Time Buyer: One who buys a product or service from a specific company for the first time.

Fixed Field: A way of laying out, or formatting, list information in a computer file that puts every piece of data in a specific position relative to every other piece of data, and limits the amount of space assigned to that data. If a piece of data is missing from an individual record, or if its assigned space is not completely used, that space is not filled (every record has the same space and the same length). Any data exceeding its assigned space limitation must be abbreviated or contracted.

Former Buyer: One who has bought one or more times from a company with no purchase in the last twelve months.

Free-Standing Insert: A promotional piece loosely inserted or nested in a newspaper or magazine.

Frequency: The number of times an individual has ordered within a specific period of time. (*See Monetary Value* and *Recency*)

Friend-Of-A-Friend (Friend Recommendation): The result of one party sending in the name of someone considered to be interested in a specific advertiser's product or service; a third party inquiry.

Front End: Activities necessary, or the measurement of direct marketing activities, leading to an order or a contribution.

Fund Raising List: Any compilation or list of individuals or companies based on a known contribution to one or more fund raising appeals.

Geographics: Any method of subdividing a list, based on geographic or political subdivisions (ZIP Codes, sectional centers, cities, counties, states, regions).

Gift Buyer: One who buys a product or service for another.

Gimmick: Attention-getting device, usually dimensional, attached to a direct mail printed piece.

Guarantee: A pledge of satisfaction made by the seller to the buyer and specifying the terms by which the seller will make good his pledge.

Hot-Line List: The most recent names available on a specific list, but no older than three months. In any event, use of the term "hot-line" should be further modified by "weekly," "monthly", etc.

House List: Any list of names owned by a company as a result of compilation, inquiry or buyer action, or acquisition, that is used to promote that company's products or services.

House-List Duplicate: Duplication of name-and-address records between the list user's own lists and any list being mailed by him on a one-time use arrangement.

Inquiry: One who has asked for literature or other information about a product or service. Unless otherwise stated, it is assumed no payment has been made for the literature or other information. (*Note: A Catalog request is generally considered a specific type of inquiry*).

Installment Buyer: One who orders goods or services and pays for them in two or more periodic payments after their delivery.

Inter-List Duplicate: Duplication of name and address records *between* two or more lists, other than house lists, being mailed by a list user.

Intra-List Duplication: Duplication of name and address records *within* a given list.

K: Used in reference to computer storage capacity, generally accepted as 1,000. Analogous to M in the direct marketing industry.

Key: One or more characters within a data group that can be used to identify it or control its use. Synonymous with Key Code in mailing business.

Key Code (Key): A group of letters and/or numbers, colors, or other markings, used to measure specific effectiveness of media, lists, advertisements, offers, etc., or any parts thereof.

Keyline: Can be any one of many partial or complete descriptions of past buying history coded to include name-and-address information and current status.

KBN (Kill Bad Name): Action taken with undeliverable addresses; i.e., nixies. You KBN a nixie.

Label: Piece of paper containing the name and address of the recipient which is applied to a mailing for address purposes.

Layout: (1) Artist's sketch showing relative positioning of illustrations, headlines and copy. (2) Positioning subject matter on a press sheet for most efficient production.

Letterhead: The printing on a letter that identifies the sender.

Lettershop: A business organization that handles the mechanical details of mailings such as addressing, imprinting, collating, etc. Most lettershops offer some printing facilities and many offer some degree of creative direct mail services.

List (Mailing List): Names and addresses of individuals and/or companies having in common a specific interest, characteristic or activity.

List Broker: A specialist who makes all necessary arrangements for one company to use the list(s) of another company. A broker's services may include most, or all, of the following: research, selection, recommendation and subsequent evaluation.

List Buyer: Technically, this term should apply only to one who actually buys mailing lists. In practice, however, it is usually used to identify one who orders mailing lists for one-time use; a List User or Mailer.

List Cleaning: The process of correcting and/or removing a name and/or address from a mailing list because it is no longer correct. Term is also used in the identification and elimination of house list duplication.

List Compiler: One who develops lists of names and addresses from directories, newspapers, public records, sales slips, trade show registrations and other sources for identifying groups of people or companies with something in common.

List Exchange: A barter arrangement between two companies for the use of a mailing list(s). May be: list for list, list for space, or list for comparable value—other than money.

List Maintenance: Any manual, mechanical or electronic system for keeping name-and-address records (with or without other data) up-to-date at any specific point(s) in time.

List Manager: One who, as an employee of a list owner or as an outside agent, is responsible for the use, by others, of a specific mailing list(s). The list manager generally serves the list owner in several or all of the following capacities: list maintenance (or advice thereon), list promotion and marketing, list clearance and record keeping, collecting for use of the list by others.

List Owner: One who, by promotional activity or compilation, has developed a list of names having something in common; or one who has *purchased* (as opposed to rented, reproduced, or used on a one-time basis) such a list from the developer.

List Rental: An arrangement whereby a list owner furnishes names to a mailer, together with the privilege of using the list on a one-time basis only (unless otherwise specified in advance). For this privilege, the list owner is paid a royalty by the mailer. ("List Rental" is the term most often used although "List Reproduction" and "List Usage" more accurately describe the transaction, since "Rental" is not used in the sense of its ordinary meaning of leasing property.)

List Royalty: Payment to list owners for the privilege of using their names on a one-time basis.

List Sample: A group of names selected from a list in order to evaluate the responsiveness of that list.

List Segmentation: (*See List Selection*).

List Selection: Characteristics used to define smaller groups within a list (essentially, lists within a list). Although very small, select groups may be very desirable and may substantially improve response; increased costs, however, often render them impractical.

List Sequence: The order in which names and addresses appear in a list. While most lists today are in ZIP Code sequence, some are alphabetical by name within the ZIP Code; others are in carrier sequence (postal delivery); and still others may (or may not) use some other order within the ZIP Code. Some lists are still arranged alphabetically by name or chronologically, and in many other variations or combinations.

List Sort: Process of putting a list in a specific sequence or from another sequence or no sequence.

List Test: Part of a list selected to try to determine the effectiveness of the entire list. (*See List Sample*)

List User: One who uses names and addresses on someone else's list as prospects for the user's product or service; similar to Mailer.

Load Up: Process of offering a buyer the opportunity of buying an entire series at one time after the customer has purchased the first item in that series.

Magnetic Tape: A storage device for electronically recording and reproducing, by use of a computer, defined bits of data.

Mail Date: Date a list user, by prior agreement with the list owner, is obligated to mail a specific list. No other date is acceptable without specific approval of the list owner.

Mailer: (1) A direct mail advertiser who promotes a product or service using lists of others or house lists or both. (2) A printed direct mail advertising piece. (3) A folding carton, wrapper or tube used to protect materials in the mails.

Mailgram: A combination telegram-letter, with the telegram transmitted to a postal facility close to the addressee and then delivered as first class mail.

Mailing Machine: A machine that attaches labels to mailing pieces and otherwise prepares such pieces for deposit in the postal system.

Mail Order Action Line (MOAL): A service of Direct Marketing Association which assists consumers in resolving problems with mail order purchases.

Mail Order Buyer: One who offers, and pays for, a product or service through the mail. (Generally, an order telephoned in response to a direct response advertisement is considered a direct substitute for an order sent through postal channels.)

Mail Preference Service (MPS): A service of the Direct Marketing Association for consumers who wish to have their names removed from national commercial mailing lists. The name-removal file is made available to subscribers on a quarterly basis.

Master File: File that is of a permanent nature or regarded in a particular job as authoritative, or one that contains all sub files.

Match: A direct mail term used to refer to the typing of addresses, salutations or inserts onto letters with other copy imprinted by a printing process.

Match Code: A code determined either by the creator or the user of a file for matching records contained in another file.

MOAL: Acronym for Mail Order Action Line.

Monetary Value: Total expenditures by a customer during a specific period of time, generally twelve months.

"More Mail": Portion of the Direct Marketing Association's Mail Preference Service for consumers requesting information on how to receive more advertising mail.

MPS: Acronym for Mail Preference Service.

Multiple Buyer: One who has bought two or more times (not one who has bought two or more items, one time only); also a Multi-Buyer or Repeat Buyer.

Multiple Regression: Statistical technique used to measure the relationship between responses to a mailing with census demographics and list characteristics of one or more selected mailing lists. Used to determine the best types of people/areas to mail. This technique can also be used to analyze customers, subscribers, etc.

Name: Single entry on a mailing list.

Name Acquisition: Technique of soliciting a response to obtain names and addresses for a mailing list.

Name-Removal Service: Portion of DMA's Mail Preference Service for consumers who wish to have their names removed from mailing lists used by MPS subscribers.

Negative Option: A buying plan in which a customer or club member agrees to accept and pay for products or services announced in advance at regular intervals *unless* the individual notifies the company, within a reasonable time after announcement not to ship the merchandise. (*See Federal Trade Commission Regulations in Chapter 12*).

Nesting: Placing one enclosure within another before inserting into a mailing envelope.

Net Name Arrangement: An agreement, at the time of ordering or before, whereby the list owner agrees to accept adjusted payment for less than the total names shipped to the list user. Such arrangements can be for a percentage of names shipped or names actually mailed (whichever is greater) or for only those names actually mailed (without a percentage limitation). They can provide for a running charge or not.

Nixie: A mailing piece returned to a mailer (under proper authorization) by the Postal Service because of an incorrect, or undeliverable, name and address.

No-Pay: One who has not paid (wholly or in part) for goods or services ordered. "Uncollectable," "Deadbeat," and "Delinquent" are often used to describe the same person.

North/South Labels: Mailing labels that read from top to bottom and can be affixed with Cheshire equipment.

Novelty Format: An attention-getting direct mail format.

Nth Name Selection: A fractional unit that is repeated in sampling a mailing list. For example, in an "every tenth" sample, you would select the 1st, 11th, 21st, 32nd, etc. records—or the 2nd, 12th, 22nd, 32nd, etc., records, and so forth.

OCR (Optical Character Recognition): Machine identification of printed characters through use of light-sensitive devices.

Offer: The terms promoting a specific product or service.

One-Time Buyer: A buyer who has not ordered a second time from a given company.

One-Time Use Of A List: An intrinsic part of the normal list usage, list reproduction, or list exchange agreement in which it is understood that the mailer will not use the names on the list more than one time without specific prior approval of the list owner.

Open Account: A customer record that, at a specific time, reflects an unpaid balance for goods and services ordered, without delinquency.

Optical Scanner: An input device that optically reads a line of printed characters and converts each character into its electronic equivalent for processing.

Order Blank Envelopes: An order form printed on one side of a sheet, with a mailing address on the reverse. The recipient simply fills in the order, folds and seals like an envelope.

Order Card: A reply card used to initiate an order by mail.

Order Form: A printed form on which a customer can provide information to initiate an order by mail. Designed to be mailed in an envelope.

Package: A term used to describe all of the assembled enclosures (parts or elements) of a mailing effort.

Package Insert: Any promotional piece included in a product shipment. It may be for different products (or refills and replacements) from the same company or for products and services of other companies.

Package Test: A test of part or all of the elements of one mailing piece against another.

Paid Cancel: One who completes a basic buying commitment, or more, before cancelling the commitment. (*See Completed Cancel*).

Paid Circulation: Distribution of a publication to individuals or organizations which have paid for a subscription.

Paid During Service: Term used to describe a method of paying for magazine subscriptions in installments, usually weekly or monthly, and, usually, collected in person by the original sales person or a representative of that company.

Peel-Off Label: A self-adhesive label attached to a backing sheet which is attached to a mailing piece. The label is intended to be removed from the mailing piece and attached to an order blank or card.

Penetration: Relationship of the number of individuals or families on a particular list (by state, ZIP Code, SIC, etc.) compared to the total number possible.

Personalizing: Individualizing of direct mail pieces by adding the name or other personal information about the recipient.

Phone List: Mailing list compiled from names listed in telephone directories.

Piggy-Back: An offer that hitches a free ride with another offer.

Poly Bag: Transparent polyethylene bag used in place of envelopes for mailing.

Pop-Up: A printed piece containing a paper construction pasted inside a fold and which, when the fold is opened, "pops up" to form a three-dimensional illustration.

Positive Option: A method of distributing products and services incorporating the same advance notice technique as *Negative Option* but requiring a specific order each time from the member or subscriber. Generally, it is more costly and less predictable than Negative Option.

Postal Service Prohibitory Order: A communication from the Postal Service to a company indicating that a specific person and/or family considers the company's advertising mail to be pandering. The Order requires the company to remove from its own mailing list and from any other lists used to promote that company's products or services all names listed on the Order. Violation of the Order is subject to fine and imprisonment. Names listed on the Order are to be distinguished from those names removed voluntarily by the list owner at an individual's request.

Post Card: Single sheet self-matters on card stock.

Post Card Mailers: Booklet containing business reply cards which are individually perforated for selective return, to order products or obtain information.

Premium: An item offered to a buyer, usually free or at a nominal price, as an inducement to purchase or obtain for trial a product or service offered via mail order.

Premium Buyer: One who buys a product or service to get another product or service (usually free or at a special price), or who responds to an offer of a special product (premium) on the package or label (or sometimes in the advertising) of another product.

Preprint: An advertising insert printed in advance and supplied to a newspaper or magazine for insertion.

Private Mail: Mail handled by special arrangement outside the Postal Service.

Program: A sequence of steps to be executed by the computer to solve a given problem or achieve a certain result.

Programming: Design, writing and testing of a program.

Prospect: A name on a mailing list considered to be a potential buyer for a given product or service but who has not previously made such a purchase.

Prospecting: Mailing to get leads for further sales contact rather than to make direct sales.

Protection: The amount of time, before and after the assigned mailing date, a list owner will not allow the same names to be mailed by anyone other than the mailer cleared for that specific date.

Psychographics: Any characteristics or qualities used to denote the lifestyle(s) or attitude(s) of custmers and prospective customers.

Publisher's Letter: A second letter enclosed in a mailing package to stress a specific selling point.

Purge: The process of eliminating duplicates and/or unwanted names and addresses from one or more lists.

Pyramiding: A method of testing mailing lists, in which one starts with a small quantity and, based on positive indications, follows with increasingly larger quantities of the list balance until the entire list is mailed.

Questionnaire: A printed form to a specified audience to solicit answers to specific questions.

Random Access: An access mode in which records are obtained from, or placed into, a mass storage file in a non-sequential manner so that any record can be rapidly accessed. Synonymous with Direct Access.

Recency: The latest purchase or other activity recorded for an individual or company on a specific customer list. (*See Frequency* and *Monetary Value*).

Reformatting: Changing a magnetic tape format from one arrangement to another, more usable format. Synonymous with Conversion (list or tape).

Renewal: A subscription that has been renewed prior to, or at, expiration time or within six months thereafter.

Repeat Buyer: (*See Multiple Buyer*).

Rental: (*See List Rental*).

Reply Card: A sender-addressed card included in a mailing on which the recipient may indicate his response to the offer.

Reply-O-Letter: One of a number of patented direct mail formats for facilitating replies from prospects. It features a die-cut opening on the face of the letter and a pocket on the reverse. An addressed reply card is inserted in the pocket and the name and address thereon shows through the die-cut opening.

Reproduction Right: Authorization by a list owner for a specific mailer to use that list on a one-time basis.

Response Rate: Percent of returns from a mailing.

Return Envelopes: Addressed reply envelopes, either stamped or unstamped—as distinguished from business reply envelopes which carry a postage payment guarantee—included with a mailing.

Return Postage Guaranteed: A legend imprinted on the address face of envelopes or other mailing pieces when the mailer wishes the Postal Service to return undeliverable third class bulk mail. A charge equivalent to the single piece, third class rate will be made for each piece returned. (*See List Cleaning*).

Return Requested: An indication that a mailer will compensate the Postal Service for return of an undeliverable mailing piece.

Returns: Responses to a direct mail program.

RFMR: Acronym for Recency-Frequency-Monetary Value Ratio, a formula used to evaluate the sales potential of names on a mailing list.

Rollout: To mail the remaining portion of a mailing list after successfully testing a portion of that list.

R.O.P. (Run of Paper or Run of Press): Usually refers to color printing which can be placed on any page of a newspaper or magazine.

Rough: Dummy or layout in sketchy form with a minimum of detail.

Royalties: Sum paid per unit mailed or sold for the use of a list, imprimatur, patent, etc.

Running Charge: The price a list owner charges for names run or passed, but not used by a specific mailer. When such a charge is made, it is usually to cover extra processing costs. However, some list owners set the price without regard to actual cost.

Run Of Paper: (1) A term applied to color printing on regular paper and presses, as distinct from separately printed sections made on special color presses. (2) Sometimes used to describe an advertisement positioned by publisher's choice—in other than a preferred position—for which a special charge is made.

Salting: Deliberate placing of decoy or dummy names in a list to trace list usage and delivery. (*See Decoy and Dummy*).

Sample Buyer: One who sends for a sample product, usually at a special price or for a small handling charge, but sometimes free.

Sample Package (Mailing Piece): An example of the package to be mailed by the list user to a particular list. Such a mailing piece is submitted to the list owner for approval prior to commitment for one-time use of that list. Although a sample package may, due to time pressure, differ slightly from the actual package used, the list user agreement usually requires the user to reveal any material differences when submitting the sample package.

Scented Inks: Printing inks to which a fragrance has been added.

Sectional Center (SCF or SCF Center): A Postal Service distribution unit comprising different Post Offices whose ZIP Codes start with the same first three digits.

Selection Criteria: Definition of characteristics that identify segments or sub-groups within a list.

Self-Cover: A cover of the same paper as the inside text pages.

Self-Mailer: A direct mail piece mailed without an envelope.

Sequence: An arrangement of items according to a specified set of rules or instructions. Refers generally to ZIP Codes or customer number sequence.

SIC (Standard Industrial Classification): Classification of businesses, as defined by the U.S. Department of Commerce.

Software: A set of programs, procedures and associated documentation concerned with operation of a data processing system.

Solo Mailing: A mailing promoting a single product or a limited group of related products. Usually it consists of a letter, brochure and reply device enclosed in an envelope.

Source Code: Unique alphabetical and/or numeric identification for distinguishing one list or media source from another. (*See Key Code*).

Source Count: The number of names and addresses, in any given list, for the media (or list sources) from which the names and addresses were derived.

Split Test: Two or more samples from the same list—each considered to be representative of the entire list—used for package tests or to test the homogeneity of the list.

State Count: The number of names and addresses, in a given list, for each state.

Statement Stuffer: A small, printed piece designed to be inserted in an envelope carrying a customer's statement of account.

Step Up: The use of special premiums to get a mail order buyer to increase his unit of purchase.

Stock Art: Art sold for use by a number of advertisers.

Stock Cut: Printing engravings kept in stock by the printer or publisher for occasonal use.

Stock Formats: Direct mail formats with preprinted illustrations and/or headings to which an advertiser adds his own copy.

Stopper: Advertising slang for a striking headline or illustration intended to attract immediate attention.

Stuffer: Advertising enclosures placed in other media—i.e., newspapers, merchandise packages, mailings for other products, etc.

Subscriber: Individual who has paid to receive a periodical.

Swatching: Attaching samples of material to a printed piece.

Syndicated Mailing: Mailing prepared for distribution by firms other than the manufacturer or syndicator.

Syndicator: One who makes available prepared direct mail promotions for specific products or services to a list owner for mailing to his own list. Most syndicators also offer product fulfillment services.

Tabloid: A preprinted advertising insert of four or more pages, usually about half the size of a regular newspaper page, designed for inserting into a newspaper.

Tape Density: The number of bits of information (bytes) that can be included in each of a specific magnetic tape—e.g., 556 BPI, 800 BPI, 1600 BPI, etc.

Tape Dump: A printout of data on a magnetic tape to be edited and checked for correctness, readability, consistency, etc.

Tape Layout: A simple "map" of the data included in each record and its relative, or specific, location.

Tape Record: All the information about an individual or company contained on a specific magnetic tape.

Teaser: An advertisement or promotion planned to excite curiosity about a later advertisement or promotion.

Telecommunications: Data transmission between a computer system and remotely located devices via a unit that performs the necessary format conversion and controls the rate of transmission over telephone lines, microwaves, etc. Synonymous with Transceive.

Telephone Preference Service (TPS): A service of the Direct Marketing Association for consumers who wish to have their names removed from national telemarketing lists. The name-removal file is made available to subscribers on a quarterly basis.

Terminal: Any mechanism which can transmit and/or receive data through a system or communications network.

Test Panel: A term used to identify each of the parts or samples in a split test.

Test Tape: A selection of representative records within a mailing list that enables a list user or service bureau to prepare for reformatting or converting the list to a form more efficient for the user.

Throwaway: An advertisement or promotional piece intended for widespread free distribution. Generally printed on inexpensive paper stock, it is most often distributed by hand to passersby or from house-to-house.

Tie-In: Cooperative mailing effort involving two or more advertisers.

Til Forbid: An order for continuing service which is to continue until specifically cancelled by the buyer. Also "TF."

Title: A designation before (prefix) or after (suffix) a name to more accurately identify an individual. (Prefixes—Mr., Mrs., Dr., Sister, etc.; Suffixes—M.D., Jr., President, Sales Manager, etc.)

Time Sharing: Multiple utilization of available computer time, often via terminals, usually shared by different organizations.

Tip-On: An item glued to a printed piece.

Token: An involvement device, often consisting of a perforated portion of an order card designed to be removed from its original position and placed in another designated area on the order card, to signify a desire to purchase the product or service offered.

Town Marker: A symbol used to identify the end of a mailing list's geographical unit. (Originated for "towns" but now used for ZIP Codes, Sectional Centers, etc.).

TPS: Acronym for "Telephone Preference Service."

Traffic Builder: A direct mail piece intended primarily to attract recipients to the mailer's place of business.

Trial Buyer: One who buys a short-term supply of a product, or buys the product with the understanding that it may be examined, used, or tested for a specified time before deciding whether to pay for it or to return it.

Trial Subscriber: A person ordering a publication or service on a conditional basis. The condition may relate to: delaying payment, the right to cancel, a shorter than normal term and/or a special introductory price.

Uncollectable: One who hasn't paid for goods and services at the end of a normal series of collection efforts.

Unit of Sale: Description of the average dollar amount spent by customers on a mailing list.

Universe: Total number of individuals that might be included on a mailing list; all of those fitting a single set of specifications.

Update: Recent transactions and current information added to the Master (main) list to reflect the current status of each record on the list.

Up Front: Securing payment for a product offered by mail order before the product is sent.

UPS: Acronym for United Parcel Service.

Variable Field: A way of laying out for formatting list information that assigns a specific sequence to the data, but doesn't assign it specific positions. While this method conserves space on magnetic tape, it is generally more difficult to work with.

Verification: The process of determining the validity of an order by sending a questionnaire to the customer.

WATS: Acronym for Wide Area Telephone Service. A service providing a special line allowing calls within a certain zone, on a direct dialing basis, for a flat monthly charge.

White Mail: Incoming mail that is not on a form sent out by the advertiser. All mail other than orders and payments.

White Envelope: Envelope with a die-cut portion on the front that permits viewing the address printed on an enclosure. The "die cut window" may or may not be covered with a transparent material.

Wing Mailer: Label-affixing device that uses strips of paper on which addresses have been printed.

ZIP Code: A group of five digits used by the U.S. Postal Service to designate specific post offices, stations, branches, buildings or large companies.

ZIP Code Count: The number of names and addresses in a list, within each ZIP Code.

ZIP Code Sequence: Arranging names and addresses in a list according to the numeric progression of the ZIP Code in each record. This form of list formatting is mandatory for mailing at bulk third class mail rates, based on the sorting requirements of Postal Service regulations.

Appendix VII

Books/Periodicals/Directories on Direct Marketing

Publications marked with an asterisk(*) may be purchased directly through the DMA Publications Division. (See order form, page 303.) Most of the materials listed here should be available in public library business reference sections.

*AIS 800 REPORT
Published by Advertising Information Services, 353 Lexington Ave., New York, NY 10017. $175/yr. Published twice-monthly. Available through DMA.

ACRONYMS AND INITIALISMS DIRECTORY
Fifth Edition. Published by Gale Research Company, Book Tower, Detroit, MI 48226. $38.50. Published every 3 years. Annual supplements published between editions.

ADDRESS ABBREVIATIONS
Publication 59, January 1976. Published by U.S. Postal Service. Available through local postmasters. Free of charge.

ADVERTISING
By James S. Norris. Published by Reston Publishing Company, Inc. A Prentice-Hall Company, 11480 Sunset Hills Road, Reston, VA 22090. $9.95.

*ADVERTISING AGE
Published by Crain Communications, 740 Rush Street, Chicago, IL 60611. Weekly. $50.00 for annual subscription. Available through DMA.

ADVERTISING COMPLIANCE SERVICE
Published by Meckler Publishing, 520 Riverside Ave., Westport, CT 06880. Newsletter and reference service on government, industry and media restrictions in advertising. Basic reference volume plus 1-year subscription to Newsletter/Update issued twice-monthly. $395/yr.

ADVERTISING PRODUCTION PLANNING AND COPY PREPARATION FOR OFFSET PRINTING
By H. C. Latimer, Published by Crain Books, 740 Rush Street, Chicago, IL 60611. $9.50.

ADVERTISING PURE AND SIMPLE
By Hank Seiden. Primarily about television advertising. Published by AMACOM, Division of American Management Associations, 135 West 50th Street, New York, NY 10020. $12.95.

ADVERTISING THEORY AND PRACTICE
Ninth Edition, by C. H. Sandage, Ph.D & Vernon Fryburger, Ph.D. Published by Richard D. Irwin, Inc., South Holland, IL 60473. $14.95.

ADWEEK
Published by ASM Communications, 820 2nd Ave., New York, NY 10017. $40/1 yr.; $70/2 yrs. for each edition. Published in five regional editions: East, Southeast, Midwest, Southwest and West. Weekly.

AGENT DIRECTORY
Directory of over 500 manufacturers' representatives specializing in industrial products. Published by Black-Russell-Morris, 2700 Route 22, Union, NJ 07083. Free of charge.

THE ALMANAC OF AMERICAN POLITICS
Published by E. P. Dutton, 2 Park Avenue, New York, NY 10016. $7.95.

AMERICAN REGISTER OF EXPORTERS & IMPORTERS
Lists over 25,000 U.S. exporters and importers, classified by products, banks in world trade and more. Available through B. Klein Publications, P.O. Box 8503, Coral Springs, FL 33065. $42.00.

*BETTER BROCHURES, CATALOGS AND MAILING PIECES
By Jane Maas. Published by St. Martin's Press, 175 Fifth Ave., New York, NY 10010. $9.95. Available through DMA.

*BUILDING A MAIL ORDER BUSINESS
By William A. Cohen. Published by John Wiley & Sons, 605 Third Ave., New York, NY 10158. $17.95. Available through DMA.

*BUSINESS/INDUSTRIAL DIRECT MARKETING MONOGRAPH
Published by DMA. $49.95 to members; $79.95 to non-members. Available through DMA.

*BUSINESS MARKETING
Published by Crain Communications, 740 Rush Street, Chicago, IL 60611. $20.00 for annual subscription. Monthly. Available through DMA.

BUSINESS MARKETING
Published by Crain Communications, 740 Rush Street, Chicago, IL 60611. $20.00 for annual subscription. Monthly. Available through DMA.

*CABLE/VIDEOTEX: A COMPENDIUM FOR DIRECT MARKETERS
Published by DMA. $49.95 to members; $79.95 to non-members. Available through DMA.

*THE CATALOG MARKETER
Published by Maxwell Sroge Publishing Co., The Sroge Bldg., 731 N. Cascade Ave., Colorado Springs, CO 80903. Twice-monthly. $115/yr. U.S., $135/yr. Foreign. Available through DMA.

*CATALOG MARKETING: THE COMPLETE GUIDE TO PROFITABILITY IN THE CATALOG BUSINESS
By Katie Muldoon. Published by R.R. Bowker Co., 205 E. 42nd St., New York, NY 10017. $34.95. Available through DMA.

THE CONGRESSIONAL DIRECTORY
Available from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. Hardbound—$8.50. Paperback—$6.50.

THE CONGRESSIONAL QUARTERLY
Published by the Congressional Quarterly, Inc. 1414 22nd Street, N.W., Washington, DC 20037. $558.00

CONGRESSIONAL RECORD
Daily compendium of all the proceedings in Congress. Available from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. $45 for annual subscription.

THE CONGRESSIONAL STAFF DIRECTORY
Charles B. Brownson, Publisher and Editor, P.O. Box 62, Mount Vernon, VA 22121, $19.50.

*CREDIT CARD AND CHECK FRAUD: A STOP-LOSS MANUAL
By Larry Schwartz/Pearl Sax, Fraud & Theft Information Bureau, P.O. Box 400, Boynton Beach, FL 33425. $149.00. Available through DMA.

CUSTOMER SERVICE MANUAL
By Benjamin I. French, Jr. Samples of customer service letters. Published by Prentice-Hall, Inc., Englewood Cliffs, NJ 07632. $14.95.

***DM NEWS**
Published by DM News Corporation, 19 W. 21st St., New York, NY 10010. Monthly. Free to qualified direct marketers. Available through DMA.

***DIRECT MAIL ADVERTISING & SELLING FOR RETAILERS**
Chapters written by 28 professionals. Published by National Retail Merchants Association, 100 West 31st Street, New York, NY 10001. $19.95. Available through DMA.

DIRECT MAIL & DIRECT RESPONSE PROMOTION
By Christian Brann. Marketing Text Series. Direct marketing as practiced in the United Kingdom. Published by Kogan Page Ltd., Grays Inn Road, London W.C. 1, England.

***DIRECT MAIL AND MAIL ORDER HANDBOOK**
Third Edition, by Richard S. Hodgson. Published by Dartnell, 4660 Ravenswood Avenue, Chicago, IL 60640. $60.50. Available through DMA.

DIRECT MAIL LIST RATES & DATA
Published by Standard Rate and Data Service, Inc., 5201 Old Orchard Road, Skokie, IL 60076. Twice yearly. $65.00 for annual subscription.

***DIRECT MAIL PRINTING**
By The Graphic Arts Technical Foundation, 4615 Forbes Ave., Pittsburgh, PA 15213. $395.00. Available through DMA.

***DIRECT MARKETING MAGAZINE**
Published by Hoke Communications, Inc., 224 Seventh Street, Garden City, NY 11530. $36.00 annually or included with DMA membership. Monthly. Available through DMA.

***DIRECT MARKETING: STRATEGY, PLANNING, EXECUTION**
By Edward L. Nash. Published by McGraw-Hill, Inc., 1221 Avenue of the Americas, New York, NY 10019. $32.50. Available through DMA.

***THE DIRECT MARKETING MARKET PLACE 1984**
By Edward Stern. Published by Hilary House Publishers, 1515 N. Federal Hwy., Boca Raton, FL 33432. $67.00. Available through DMA.

***THE DIRECT MARKETER'S LEGAL ADVISER**
Published by McGraw-Hill Book Co., 1221 Ave. of the Americas, New York, NY 10020. $27.50. Available through DMA.

***DIRECT RESPONSE MARKETING: AN ENTREPRENEURIAL APPROACH**
By William A. Cohen. Published by John Wiley & Sons, 605 Third Ave., New York, NY 10158. $23.95. Available through DMA.

***DIRECT RESPONSE MARKETING TO SCHOOLS NEWSLETTER**
Published by School Market Research Institute, P.O. Box 160, Chester, CT 06412. Published monthly. $89.00. Available through DMA.

DIRECTORY OF BUSINESS FORMS COMPANIES: WHO THEY ARE, WHAT THEY MAKE
By the staff of Business Forms Reporter. Published by North American Publishing Company, 134 N. 13th Street, Philadelphia, PA 19107. $47.50.

DIRECTORY OF MAILING LIST HOUSES
Tenth Edition. Published by B. Klein Publications, P.O. Box 8503, Coral Springs, FL 33065. $30.00.

***DIRECTORY OF MAIL ORDER CATALOGS**
Published by Richard Gottlieb, Grey House Publishing, Gay Street, Sharon, CT 06069. $100.00. Available through DMA.

DIRECTORY OF MANUFACTURERS' REPRESENTATIVES
15,000 manufacturers' domestic and export representatives in U.S. and Canada, with products carried and area covered. Published by Manufacturers Agent Publishing Company, 663 Fifth Avenue, New York, NY 10022. $37.50.

DIRECTORY OF POST OFFICES
Published by U.S. Postal Service. Available from Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. $5.55.

DIRECTORY OF SHOP-BY-MAIL BARGAIN SOURCES
Margaret A. Boyd and Sue Scott-Martin, eds. Published by Pilot Books, 347 Fifth Avenue, New York, NY 10016. Lists seven hundred firms that offer consumer goods and services by mail. $2.95.

DOMESTIC MAIL MANUAL
This is the replacement for the *Postal Manual*—written in a clearer style. It is an essential document for all mailers since it outlines all postal regulations pertaining to the preparations of mail, rates, classifications, etc.

Published by the United States Postal Service. Copies may be obtained for $17.00 from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. Purchasers of the Manual will also receive any subsequent revisions of material in the manual.

DO'S AND DON'TS IN ADVERTISING COPY
Published by Council of Better Business Bureaus, Inc., 1150 17th Street, N.W., Washington, DC 20036. $150.00 for first year; $66.00 annual renewals.

THE DYNAMICS OF MAKING A FORTUNE IN MAIL ORDER
By Raymond J. Brandell in collaboration with Raymond E. Brandell. Published by Frederick Fell Publishers, 386 Park Avenue South, New York, NY 10017. $19.95.

***THE EFFECTIVENESS OF 800 NUMBERS IN DIRECT MAIL CATALOGS, VOL. 1**
Published by DMA. $50.00 to members; $100.00 to non-members. Available through DMA.

***ELECTRONIC DIRECT MARKETING**
By G. Scott Osborne. Published by Prentice-Hall, Inc., Englewood Cliffs, NJ 07632. $8.95. Available through DMA.

***ELEMENTS OF DIRECT MARKETING**
By Martin Baier. Published by McGraw-Hill, Inc., 1221 Avenue of the Americas, New York 10020. $34.95. Available through DMA.

ELEMENTS OF STYLE
By William Strunk, Jr. Published by Macmillan Publishing Company, Front & Brown Streets, Riverside, NJ 08075. $4.00.

***FACT BOOK ON DIRECT MARKETING**
Published by DMA. This handbook is a unique comprehensive source of the current facts, figures and background on direct marketing in the U.S. $49.95 for members/ $79.95 for non-members. Published annually. Available through DMA.

***FRIDAY REPORT**
Published by Hoke Communications, Inc., 224 Seventh Street, Garden City, NY 11530. $92.00 for annual subscription. Weekly. Available through DMA.

FUND RAISING LETTERS
Published by Emerson Publishers, Inc., P.O. Box 15274, Richmond, VA 23227. $135.00 ($95.00 for non-profit organizations).

***FUND RAISING MANAGEMENT**
Published by Hoke Communications, Inc., 224 Seventh St., Garden City, NY 10530. $30.00. Monthly. Available through DMA.

THE GALLAGHER REPORT
Published by The Gallagher Report, Inc., 230 Park Avenue, New York, NY 10017. $72.00 for annual subscription. Weekly.

THE GOVERNMENT MANUAL
Office of the Federal Register, National Archives and Records Services, Washington, DC 20408. $6.50.

GRAPHIC ARTS ENCYCLOPEDIA
By George Stevenson. Published by McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, NY 10020. $21.95.

GRAPHIC ARTS MANUAL
Edited by Janet Fields. Published by Arno Press, 3 Park Ave., New York, NY 10016. $65.00.

***THE GREAT BRAIN ROBBERY**
By Ray Considine and Murray Raphel. Published by Rosebud Books, 25 West Walnut St., Pasadena, CA 91103. $11.00. Available through DMA.

GUIDE TO AMERICAN DIRECTORIES
Lists more than 6,500 directories of every kind—over 300 major classifications. Published by B. Klein Publications, P.O. Box 8503, Coral Springs, FL 33065. $55.00.

***GUIDING CATALOG GROWTH: SUCCESSFUL STRATEGIES, MANAGEMENT AND TECHNIQUES**
Published by DMA. $49.95 to members; $79.95 to non-members. Available through DMA (summer 1985).

HANDBOOK OF ADVERTISING ART PRODUCTION
Second Edition, by Richard M. Schlemmer. Published by Prentice-Hall, Inc., Englewood Cliffs, NJ 07632. $11.95.

THE HANDBOOK OF CIRCULATION MANAGEMENT
Edited by Barbara Love. Published by Folio Publishing, 125 Elm Street, New Canaan, CT 06840. $49.95.

THE HANDBOOK OF INDUSTRIAL DIRECT MAIL ADVERTISING
Edited by Edward N. Mayer, Jr. and Roy G. Ljungren. Published by Business/Professional Advertising Association, 205 E. 42nd Street, New York, NY 10017. $10.00.

HANDBOOK OF INTERNATIONAL DIRECT MARKETING
Edited by John Dillon. Published by McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, NY 10020. $49.95.

HIS & HERS
By Stanley Marcus. Published by Viking Penguin, Inc., 625 Madison Ave., New York, NY 10017. $25.00.

***HOW TO ADVERTISE**
By Kenneth Roman and Jane Maas. Foreword by David Ogilvy. Published by St. Martin's Press, 175 Fifth Avenue, New York, NY 10010. $5.95. Available through DMA.

HOW TO ADVERTISE YOURSELF
By Maxwell Sackheim. Published by Macmillan Publishing Company; Inc., 866 Third Avenue, New York, NY 10022. $5.95.

***HOW TO BUILD A GREAT FORTUNE IN MAIL ORDER**
By Gerardo Joffe. Published by Russel's, 685 Brannan St., San Francisco, CA 94107. $129.00 (7-Volumes). Available through DMA.

HOW TO MAKE YOUR ADVERTISING MAKE MONEY
By John Caples. Published by Prentice-Hall, Inc., Englewood Cliffs, NJ 07632. $6.95.

HOW TO PARTICIPATE PROFITABLY IN TRADE SHOWS
By Robert B. Konikow. Published by Dartnell, 4660 Ravenswood Avenue, Chicago, IL 60640. $57.50.

HOW TO PREPARE PROFESSIONAL DESIGN BROCHURES
By Gerre Jones. Published by McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, NY 10020. $16.50.

***HOW TO START AND OPERATE A MAIL-ORDER BUSINESS**
Third Edition, by Julian L. Simon. Published by McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, NY 10020. $29.95. Available through DMA.

HOW TO START YOUR OWN BUSINESS . . . AND SUCCEED
By Arthur H. Kuriloff and John M. Hemphill, Jr. Published by McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, NY 10020. $39.95.

***HOW TO WORK WITH MAILING LISTS**
By Richard S. Hodgson. Published by DMA. $15.00 for members/$25.00 for non-members. Available through DMA.

HOW TO WRITE POWERFUL & EFFECTIVE SMALL SPACE ADS
By Stephen Nevard. Published by DMA. $8.00.

***HOW TO WRITE SUCCESSFUL DIRECT MAIL LETTER COPY**
By Maxwell C. Ross. Published by DMA. $15.00 for members/$25.00 for non-members. Available through DMA.

INCENTIVES IN MARKETING
By George Meredith and Robert P. Fried. Published by National Premium Sales Executives, 1600 Route 22, Union, NJ 07083. A thorough history of incentives usage and techniques used in the field. $17.50.

IN SEARCH OF EXCELLENCE
By Thomas J. Peters/Robert B. Waterman, Jr. Published by Harper & Row Publishers, 10 East 53rd Street, New York 10022. $19.95.

***1984 INTERNATIONAL FACT BOOK**
Second Edition. Published by DMA. $35.00 for members/$50.00 for non-members. Available through DMA.

INTERNATIONAL MAIL
(Publication 42). Published by U.S. Postal Service. Available from Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. $9.00.

***INTERNATIONAL MARKETING COMMUNICATIONS**
By Robert F. Roth. Published by Crain Books, 740 Rush St., Chicago, IL 60611. $22.95. Available through DMA.

AN INTRODUCTION TO DIRECT MARKETING
By Chaman L. Jain and Al Migliaro. Published by AMACOM, Division of American Management Associations, 135 West 50th Street, New York, NY 10020. $5.00 for members/$7.50 for non-members.

***INTRODUCTION TO FULFILLMENT OPERATIONS IN DIRECT MARKETING MONOGRAPH**
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***MAIL ORDER BUSINESS DIRECTORY**
1983 Edition. Contains information on over 7,500 mail order firms. Arranged geographically by state; product lines listed where known. Now includes phone numbers. Published every other year by B. Klein Publications, P.O. Box 8503, Coral Springs, FL 33065. $55.00. Available through DMA.

THE MAIL ORDER CRAFTS CATALOG
First Edition. By Margaret A. Boyd. Well-arranged in 3 sections: by company, craft and geographically. Completely cross-referenced. Published by Chilton Book Company, Radnor, PA 19089. $7.95.

***MAIL ORDER KNOW-HOW**
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MAIL ORDER MOONLIGHTING
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MEMO TO MAILERS
8-page newsletter. Published monthly by U.S. Postal Service, P.O. Box 1600, La Plata, MD 20646. Available free to firms generating large quantities of mail.

MORE THAN YOU EVER WANTED TO KNOW ABOUT MAIL ORDER ADVERTISING
Published by Prentice-Hall, 3501 Park Center Blvd., Suite 177, Minneapolis, MN 55416. $9.95.

NATIONAL DIRECTORY OF NEWSLETTERS AND REPORTING SERVICES
Gale Research Company, Book Towers, Detroit, MI 48226. Second Edition, Part One, 1978. Detailed current information on newsletters issued on a regular basis by businesses associations, societies, clubs, government agencies and other groups. $36.00.

THE NATIONAL JOURNAL
Published by the Government Research Corporation, 1730 M Street, N.W., Washington, DC 20036. $10.00 per copy, $300 per year.

NATIONAL TRADE AND PROFESSIONAL ASSOCIATIONS OF THE UNITED STATES AND CANADA AND LABOR UNIONS
1978 Edition. Craig Colgate, Jr. and Patricia Broida, eds. Published by Columbia Books, Inc., Room 601, 734 15th St., N.W., Washington, DC 20005. This directory lists about 6,000 national trade associations, labor unions, scientific or technical societies and other national organizations composed of groups united by a common purpose. $25.00.

NATIONAL SURVEY OF CONSUMERS' ATTITUDES TOWARDS DIRECT MAIL ADVERTISING
By Robert A. Hansen. Published by MASA, 7315 Wisconsin Avenue, Washington, DC 20014. Vol. 1 (narrative) $7.50; Vol. II (charts) $12.50.

NATIONAL ZIP CODE DIRECTORY
(Publication 65). Published by U.S. Postal Service. Available through Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. $7.50, or old edition may be exchanged for new edition at local post office free of charge.

NEWSLETTER ON NEWSLETTERS
Published by The Newsletter Clearinghouse, 44 West Market Street, Rhinebeck, NY 12572. $36.00 for annual subscription. Monthly.

NEW TRADE NAMES: 1977
Ellen T. Crowley, ed. Gale Research Company, Book Tower, Detroit, MI 48226. Lists consumer trade names, brand names, product names, coined names, model names and design names, with addresses of manufacturers, importers, marketers or distributors. $45.00.

***NON-STORE MARKETING (NSM) REPORT**
Published by Maxwell Sroge Publishing Company, Inc., Sroge Building, 731 Cascade, Colorado Springs, CO 80903. $155.00 for annual subscription. Published every other Monday. Available through DMA.

***OGILVY ON ADVERTISING**
By David Ogilvy. Published by Crown Publishing, 1 Park Avenue, New York 10016. $24.95. Available through DMA.

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By Alvin Eicoff. Published by Crown Publishers, 1 Park Ave., New York, NY 10016. $14.95. Available through DMA.

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By Frank T. Dierson, Esq., General Counsel for PMAA. Published by Promotion Marketing Association of America, Inc., 420 Lexington Avenue, New York, NY 10017. $25.00 plus $5.00 update.

POPULATION PROFILE OF THE UNITED STATES: 1977
A broad range of statistics on U.S. population growth and distribution, social characteristics, employment, income, and race. Available through Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. $2.30.

POSTAL LAWS
Transmittal Letter No. 24, December 12, 1974. Available from Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. $3.25.

POSTAL WORLD: THE WASHINGTON NEWSLETTER FOR MAIL USERS
Published by JPL Publications, Inc., 128 C Street, N.W., Washington, DC 20001. $84.00 annual subscription. Bi-weekly.

A PRACTICAL GUIDE TO NEWSLETTER EDITING & DESIGN
By LaRae H. Wales. Published by Iowa State University Press, South State Avenue, Ames, IA 50010. $2.50

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PRINT PROGRESS AND PERFORMANCE
Newsletter published by the Print Advertising Association by Angelo R. Venezian, Inc., 10-64 Jackson Avenue, Long Island City, NY 11101. $20.00 for annual subscription. Monthly.

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By Lawrence Cooklin. Published by William Heinemann Ltd., London, England. Available through W. S. Heinman, 1966 Broadway, New York, NY 10023. $17.50.

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By Robert C. Steckel, Published by Arco Publishing Company, Inc., 219 Park Avenue South, New York, NY 10003. $15.00.

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SHOPPING CENTER DIRECTORY
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STANDARD DIRECTORY OF ADVERTISERS
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STATISTICAL ABSTRACT OF THE UNITED STATES, 1977
98th Annual Edition. U.S. Department of Commerce, Bureau of the Census. Available from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. $11.00 cloth; $8.50 paperback.

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By Joe Sugarman. Published by Contemporary Books, 180 N. Michigan Ave., Chicago, IL 60601. $9.95.

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By Counihan, Casey & Loomis, PIA General Counsel. Published by Printing Industries of America, Inc., 1730 N. Lynn Street, Arlington, VA 22209. $25.00.

WASHINGTON INFORMATION DIRECTORY
Published by Congressional Quarterly, Inc., 1414 22nd Street, N.W., Washington, DC 20037. $19.50.

WISING UP
By Jo Foxworth. Published by Dell Publishing Company, 1 Dag Hammarskjold Plaza, New York, NY 10017. $5.95.

WORDS INTO TYPE
Third edition. By Marjorie Skillin and Robert M. Gay and other authorities. Published by Prentice-Hall, Inc., Englewood Cliffs, NJ 07632. $15.95.

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Published by North American Publishing Company, 545 Madison Avenue, New York, NY 10022. Nine times per year. $30.00. Available through DMA.

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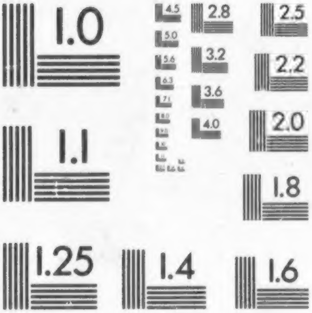
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